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ABSTRACT

A seminar convened by the Policy Analysis Service brought together state and federal student aid officials, representatives of higher education associations, and analyst-researchers to address a number of issues related to the impact of the federal Basic Educational Opportunity Grant program on the states. Formal presentations included a historical overview of the Basic Grant program, descriptions of the current situation in five states (New York, Rhode Island, Maryland, Michigan, and Pennsylvania), and a report on the College Entrance Examination Board study of student aid. Among the issues discussed are: state policies as they relate to the grants program, unspent awards and overawards, the emancipated student, the impact of the awards on college decisions, estimating student need, getting students to apply, unrecognized impacts of the program, state funds, tuition pricing, and enrollment patterns and migration. The version of the seminar presented in the final report is condensed and edited from the transcripts, but includes discussions by participaints. (MSE)

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Report of a Seminar Held February 1, 1977

Edited by Patricia Smith and Laura Kent

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AMERICAN COUNCIL ON EDUCATION

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The American Council on Education, founded in 1918 and composed of higher education and national and regional associations, is the nation's major coordinating body for postsecondary education. Through voluntary and cooperative action, the Council provides comprehensive leadership for improving educational standards, policies, and procedures.

POLICY ANALYSIS SERVICE STAFF

JOHN F. HUGHES
DIRECTOR

PATRICIA SMITH
ASSISTANT DIRECTOR

ENGIN I. HOLMSTROM
POLICY ASSOCIATE

CATHY HENDERSON
STAFF ASSOCIATE

PAULA R. KNEPPER
STAFF ASSOCIATE

THOMAS M. CORWIN
POLICY ANALYST

DONNA C. PHILLIPS
ANNUAL MEETING COORDINATOR

GLORIA MORRISON
STAFF ASSISTANT

IDA E. GREEN
ADMINISTRATIVE SECRETARY

LAURA KENT
EDITOR

Copies of this report are available from the Policy Analysis Service, American Council on Education, One Dupont Circle, N.W., Washington, D.C. 20036.

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PREFACE

In the five years since its initial authorization by the Education Amendments of 1972, the Basic Educational Opportunity Grant (BEOG) program has grown to be a $2 billion program helping over two million low-income students pay for their postsecondary education. Because the maximum grant is $1,400* or half the cost of attendance (whichever is lower), BEOG recipients usually have to supplement their award with other forms of federal, state, or institutional aid, particularly if they attend high-cost institutions.

The states--like the federal government--have over the past decade been increasing their student aid appropriations or, in some cases, establishing programs of student assistance where none previously existed. The rapid growth of the BEOG program just at the time that state programs have been developing and expanding has brought this nation closer to its goal of providing equal educational opportunity but has also created some substantial problems. One involves confusion of purposes: Just what are the proper roles of the federal government and the state governments in aiding students from various income levels to attend institutions of various costs? Another set of problems involves procedural difficulties: How can effective coordination and communications be developed between the federal government, the states, and the institutions in awarding different types of student assistance. Coordination is critical at every step of the operation, from program development through notification of prospective students about the availability of student aid, needs analysis, "packaging" of various forms of aid, through grant awards and notification.

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*Increased to $1,800 by the Education Amendments of 1976.

The seminar reported here, convened on February 1, 1977, by ACE's Policy Analysis Service, brought together state and federal student aid officials, representatives of higher education associations, and analyst-researchers to address a number of issues related to the impact of the Basic Grant program on the states. It opened with an overview of the historical background. Then representatives of five state higher education agencies gave detailed presentations about the current situation in their states. All participants contributed to the discussion. Among the recurring topics were (1) the nature of the state programs, with emphasis on the family income cut-off for student eligibility, size of awards, and proportion of state aid recipients attending various categories of institutions; (2) the effect of BEOGs on the state programs; and (3) problems arising in connection with coordinating the federal and the state programs.

This report represents a condensed and edited version of the transcript of the seminar. It is being distributed to the participants and to selected state and federal agency personnel with student aid responsibilities, congressional staff, and higher education researchers concerned with public policy. A limited number of additional copies are available from the PAS, and the report will be submitted to the Educational Resources Information Clearinghouse (ERIC) system. We hope that this document will prove useful in assessing the impact of the BEOG program to date and in suggesting areas for improvement in federal/state coordination. We acknowledge with appreciation the support received by PAS from the Lilly Endowment, which made possible the seminar and the publication of this report.

PARTICIPANTS*

STEPHEN K. BAILEY, Vice-President, American Council on Education

SHARON L. COLDREN, Policy Analyst, American Council on Education

THOMAS M. CORWIN, Policy Analyst, American Council on Education

SUSAN DAVIS, Research Associate, College Entrance Examination Board

SHARON ELLIOTT, Student-Intern, American Council on Education

RICHARD FRANCIS, Director, Government Relations, National Association for Independent Colleges and Universities

LAWRENCE GLADIEUX, Director, College Entrance Examination Board

TERRY HARTLE, Research Associate, Education Policy Research Institute

ARTHUR HAUPTMAN, Project Director, College Entrance Examination Board

CATHY HENDERSON, Policy Analyst, American Council on Education

T. EDWARD HOLLANDER, Deputy Commissioner for Higher and Professional Education, State Department of Education for New York

ENGIN I. HOLMSTROM, Policy Associate, American Council on Education

JOHN C. HONEY, Professor of Political Science and Higher Education, The Maxwell School, Syracuse University

JOHN F. HUGHES, Director, Policy Analysis Service, American Council on Education

PAULA R. KNEPPER, Staff Associate, American Council on Education

SHELDON H. KNORR, Commissioner, Maryland State Board for Higher Education

---

*All titles and affiliations given here are those that applied at the time the seminar took place, on February 1, 1977.

JOHN MALLAN, Director, Governmental Relations, Association of State Colleges and Universities

JOHN MANDRYK, Coordinator of Student Assistance, Rhode Island Department of Education

RICHARD MCVITY, Director, State Student Incentive Grants Program, U.S. Office of Education

RICHARD M. MILLARD, Director, Higher Education Services, Education Commission of the States

D. LEE PETERSON, Supervisor, Information Services Unit, Student Financial Assistance Services, Michigan Department of Education

KENNETH REEHER, Executive Director, Higher Education Assistance Agency, Commonwealth of Pennsylvania

CHARLES B. SAUNDERS, Director, Office of Governmental Relations, American Council on Education

KENNETH H. SHOOK, Executive Director, Maryland State Scholarship Board

PATRICIA SMITH, Policy Associate, American Council on Education

JAY STAMPEN, Senior Research Associate in Policy Analysis, American Association of State Colleges and Universities

CAROL VAN ALSTYNE, Chief Economist, American Council on Education

PETER VOIGHT, Director, Division of Basic Grants, U.S. Office of Education

ALAN WAGNER, Policy Research Associate, College Entrance Examination Board

MORNING SESSION

MR. HUGHES: The rapid growth of the federal Basic Educational Opportunity Grant (BEOG) program seems to be having a substantial impact on the way states are using their student aid funds. The basic purpose of this meeting is to discuss the interaction between federal funding of BEOG and state funding of various kinds of student financial aid. Several questions relating to the dynamics of that interaction need to be explored: To what extent are BEOGs being used to promote access? To what extent are state funds being used to supplement that access, and to what extent are they being used to permit students some degree of choice? To what extent are the states using the BEOG program as a vehicle for determining student need and distributing funds in accordance with that determination? I am sure that the discussion here today will reveal many ramifications to these questions.

I have asked Richard Millard of the Education Commission of the States (ECS) to make the opening presentation because ECS has long taken an interest in these matters. Last year, Dick and his colleagues prepared and presented to the House Subcommittee on Postsecondary Education a report on how the Basic Grant program has affected state procedures. In addition, I believe that ECS is studying the impact of the State Student Incentive Grant (SSIG) program on state funding. So without further ado, Dick, you're on.

A Historical Perspective

MR. MILLARD: Thank you, Jack. ECS has been concerned with student aid since before the Education Amendments of 1972. Our 1970 task force report was, to the best of my knowledge, the first document to urge the importance of a federal-state-institutional partnership in student aid and, I believe, helped to shape the development of the SSIG and other programs in 1972. From the beginning, ECS has emphasized the need for effective coordination in the delivery of student aid to those in need, recognizing that there are a good many parts to the picture and that BEOG has progressively become a more important part.

One of the first significant steps in developing a better rapport between the state agencies and the federal government in the matter of student aid was a series of national work conferences convened by John Phillips (then with the Office of Education) in cooperation with ECS and with state higher education executive officers. The initial workshop brought together for the first time state directors of student aid and major figures on the national scene, including Peter Voight, Richard McVity, and their staffs; the second workshop included institutional officers; and the third involved all these groups. Some of the basic outlines of the present policy came out of those national work conferences.

At that time, discussion was initiated on the need for a common application form and on the urgency of having student aid programs complement one another: that is, of using BEOG as a base and then building state and institutiona! programs on top of this base so that the ultimate package would meet the diverse needs to which student aid is addressed.

The next major step was the National Task Force on Student Aid Problems (the Keppel Task Force), with which ECS--along with a good many other groups--was heavily involved. The Task Force was created with the hope that the two important agencies--the College Scholarship Service (CSS) and the American College Testing Program (ACT)--could reach agreement on a common approach to need analysis. No one was sure that this would work out, but it did. The Keppel Task Force made a tremendous contribution, especially toward the development of a uniform methodology. It laid the groundwork for an effective coordinated system--even though, of course, problems still remained and have been with us since.

ECS, along with the American Council on Education, co-sponsored the Coalition for the Coordination of Student Financial Aid that followed up the work of the Keppel Task Force. It was the Coalition that developed the list of questions that Jack posed at the beginning of this meeting.

After BEOG had been in operation for two or three years, ECS went back to the states and asked them specifically, to what extent coopera-

tion was taking place and what problems they were encountering. Surprisingly, a number of states, even at that point, reported that things were working fairly well. But certain problems have surfaced again and again. The first has to do with providing adequate information to the states so that they can build their programs effectively on BEOG. The second is timing, a matter which comes up constantly. The third is the need for more accurate tapes and other information. In addition, many states want to get involved in the processing of applications. The need to have a simplified and common application form is widely recognized. All these problems have been and are the subject of discussion between the Coalition and the Office of Basic Grants (Office of Education). One of the most recent developments has been the creation of the Student Financial Aid Study Group within the Department of Health, Education, and Welfare.

We are now at the beginning of an important breakthrough, in terms of a practical move toward a common form, in terms of state involvement in the processing of BEOG applications, and so forth. Considerable progress has been made. Now we must identify the problems that remain and work effectively to solve them. Among the questions that still need to be looked at carefully are how BEOG funds are distributed to the various states and constituencies and what impact the growing BEOG program will have upon the willingness of the states to provide additional funds.

But those of us participating in this seminar today would be making a mistake if we behaved as though we were starting de novo. An evolutionary process has been going on, and our major concern should be to keep it moving, with the end product being an effective delivery system which uses BEOG as the basis, with the state programs building on it to meet various kinds of student need, and with institutional programs filling in the gaps. All too often, discussions of student aid get so bogged down in technical detail that the function of student aid is forgotten. Our emphasis should be on developing the kind of delivery system which gets aid to the students who need it, in the amounts they require, and in light of the differences in their needs and academic programs. Thank you.

MR. HUGHES: Very good, Dick. Next, we'd like to welcome Ted Hollander, Deputy Commissioner for Higher and Professional Education, State Department of Education for New York.

The New York Scene

MR. HOLLANDER: Thank you, Jack. First, I'm going to describe New York's Tuition Assistance Program (TAP); second, to summarize the combined impact of BEOG and TAP on college enrollments in the State of New York; and third, to discuss problems of administration for both programs and their interrelationships. New York is deeply interested in the impact of the BEOG program: in promoting access to postsecondary education, in contributing to the viability of independent institutions, and in affecting the financing of postsecondary education.

The Tuition Assistance Program

New York actually created the forerunner of the entitlement grant in 1962 through its Scholar Incentive Program. These noncompetitive grants provided tuition assistance on a need basis to full-time undergraduate and graduate students in both the public and the independent sectors. Over the years, eligibility for the grants was broadened to include students in two-year business school programs and in degree-granting proprietary schools. In 1973, the maximum annual grant was $600.

Then, in 1974, the Scholar Incentive Program was replaced by the more generous Tuition Assistance Program. The maximum TAP award of $1,500 per year is payable to students from families with net taxable incomes of $2,000 or less (equivalent to a gross income of $6,000 or less). No award is payable if the net taxable family income exceeds $20,000 ($26,000 gross). The TAP award may not exceed tuition. Awards are limited to New York State residents attending New York State institutions.

In addition to TAP, New York sponsors competitive scholarship programs. In 1975-76, some 74,000 students received approximately $25 million in competitive scholarship awards.

The growth of state expenditures for tuition assistance in New York has been startling. In 1973-74, the program was funded at $52 million; in 1974-75, the appropriation was $78.8 million; and in 1975-76, it was $110 million. The number of recipients has increased by 20 percent over the same period, from 217,000 to about 261,000. Of these, 239,000 are undergraduates. Estimated student aid appropriations for 1977-78 will total almost $220 million, including $50 million for students at The City University of New York (CUNY), who must now pay tuition.

Prior to the advent of TAP, students in the public sector received approximately three out of five of the Scholar Incentive awards, and the dollar value of awards was equally divided between the public and the independent sectors. In 1975-76, the public and the independent sectors enrolled approximately equal numbers of student-aid recipients, and roughly 60 percent of TAP dollars were awarded to students attending independent institutions. The reason for the shift to the independent sector is that the TAP maximum award cannot exceed tuition. Thus, the maximum award is the tuition charged, which in the public sector is about $750; in the independent sector, the authorized maximum award is $1,500, about two-thirds of average tuition.

Over the same period, BEOG has come to influence access to, and the distribution of enrollments in, the state's postsecondary education system. In 1973-74, the first year of BEOG awards, nearly 22,000 students in New York received approximately $6 million, or 12 percent of all BEOG awards. Only 10 percent of the students receiving state entitlement grants were also BEOG recipients. In 1974-75, the number of students receiving BEOGs increased to 64,000, and they received a total of $39 million. In 1975-76, the third year of the BEOG program, 125,000--roughly half of the state entitlement recipients--received a total of $100 million in BEOGs, considerably less than the dollars spent in the state effort. In 1977-78, when the new TAP program is in full operation, it will cost over $200 million, which is substantially more than the federal effort in New York State.

Combined Impact

In New York, then, two entitlement programs have been growing side by side, with the state effort always leading the federal effort, both in dollars spent and in number of students aided. Together, these two entitlement programs have had some noticeable impacts.

First, the combined impact of the two programs have affected student enrollments, especially with respect to the balance of enrollments between the public and the independent sectors. Between 1969 and 1973, undergraduate enrollments at independent colleges dropped significantly. Thus, there was a major shift from the independent sector to the public sector during this period. Overall there was a general increase in access to postsecondary education. In fall 1974, the first year of TAP, the enrollment decline in the independent sector was halted. In fall 1975, undergraduate enrollments in the independent sector rose by 9 percent, compared with an overall statewide increase of 7 percent. Access to institutions in both sectors increased, with enrollments rising proportionately faster in the independent sector than in the public sector. The data for fall 1976 show a further increase of about 1.4 percent in enrollment in the independent sector, compared with a statewide enrollment decline of 3 percent. Perhaps for the first time in the history of the state, there has been a shift from the public sector back into the independent sector.

A second effect of these two programs--and one that perhaps worries Pennsylvania and the New England states a bit--has been on migration. Increases in the state awards appear to have reduced the outmigration of New York state students to out-of-state institutions. In 1963, about 19 percent of all first-time students--roughly one in five--entered out-of-state colleges; by 1968, the proportion had declined to about 12 percent; and in 1975, the figure was down to 8 percent. Although many factors influence migration patterns, it seems likely that the combination of BEOGs and our state entitlement awards has contributed to student decisions to remain in the state.

A third major impact of the two programs has been on tuition costs. Between 1973-74 and 1975-76, the net costs of attending a college in either sector declined for students from families with gross incomes of $5,000 or less (which we consider poverty level). At independent institutions, the costs for these students declined by roughly $40 or $50 over this period; the net cost is now $2,000, which is still a lot of money for low-income students to pay. At the SUNY four-year colleges, the cost is about $1,600; at the community colleges, $900. The point is that in New York, attending an independent college costs the poverty-level student only $400 more than attending a four-year public institution. And that is essentially the result of the complementary effect of the two student aid programs, BEOG and TAP. The cost of attending a community college is, of course, substantially lower than either of the other two alternatives.

For students at the $10,000 income level, it costs roughly $2,300 to go to an independent college (net of student aid) and about $1,700 to go to a college in the SUNY system or to a community college. At this income level, then, there is a significant cost difference between the public and the independent sectors. In all sectors, the costs of attendance were lower in 1975-76 than they had been two years earlier, because of the rapid expansion of both TAP and BEOG during the period.

Between 1973 and 1976, much to our surprise, the net costs of attending an independent institution continued to decrease for students at the $15,000, $20,000, and $25,000 levels. A similar decline in costs occurred for students attending community colleges. At the State University, costs increased moderately for the middle- and upper-income groups.

One of the reasons for these slight differences in costs between sectors is that a high proportion of our independent institutions are located in urban areas, so a significant number of their students commute. Most of the State University campuses have resident populations, who thus have the additional cost of room and board. The BEOG program helps only the lowest-income students to pay residence costs at the public institu-

tions. For those in the middle-income range, the Tuition Assistance Program tends to equalize the tuition costs between the sectors, and the students at independent institutions don't have to pay as much to cover housing expenses.

The increased availability of state and federal entitlement awards to low-income students has permitted independent institutions to redistribute their own grants funds; they have not cut their outlays for student aid. A significant redistribution effect occurred between 1974-75 and 1975-76 as independent colleges reduced the unfunded institutional aid awarded to low-income students, shifting dollars to middle-income students and, in some special programs, to higher-income students.

Moreover, public institutions seem to have redistributed their federal campus-based grants, the Supplemental Education Opportunity Grants (SEOGs), to middle-income students. So the effect of channeling State money to low-income students has been to permit institutions to reduce the cost of college attendance for low-middle and middle-income students. Roughly 10 percent of tuition revenue is returned in unfunded student aid.

In New York, low-income students attending four-year independent colleges may receive a combined maximum award of $2,900 from BEOG and TAP. Commuting students in the public colleges usually receive less than the maximum BEOG and tuition remission. Since the TAP award may not exceed tuition, and the BEOG award cannot exceed one-half of total college costs, the awards are not considered duplicative as long as the combined amount does not exceed college-going costs. State expenditures for TAP awards have not been reduced at all to offset increases in BEOG awards. At the moment, there is heavy budget office pressure to include BEOG awards in income in determining eligibility for TAP awards.

Some Problems

Turning to my final topic, I will touch briefly on some of the state-level problems associated with differences between the State and federal programs. First, the two programs use different methods for de-

termining need. The New York program gives recognition to the overriding need for equity and ease of administration. The level of TAP awards are based upon net taxable income, which is easily verifiable. We have avoided--and we object to taking into consideration--imputed income on assets because we believe that system is not enforceable and that its abuse will damage the program's credibility.

In New York, we regard the difference in need analysis methodology as a major issue. It is essential to move to a single application form. We cannot do so at the moment simply because the BEOG awards are not distributed through the agency that distributes TAP awards. Several years ago, we developed a plan whereby students would submit a single form and the state would prepare and submit their BEOG applications as well as their TAP applications. But because of a changeover to a new corporation, with its attendant problems, we have not been able to reach that stage.

At one time, we had designed a combined program with a maximum award of $2,500. The proposal was to guarantee an award based on New York State's criteria, deducting from it whatever the student received from BEOG. In this way, we could have a single system for all students. But this plan would work only if the New York State agency could distribute the BEOG awards in the state.

New York cannot afford to finance a portable award system. It is impossible to persuade legislators that, at a $230 million funding level, New York taxpayers should support students who attend college in other states. In fact, the pressure has been to move in the opposite direction; some state officials have proposed that institutional aid should be distributed only on the basis of state residence. The initiative is from the legislature, not from the Regents or the Commissioner of Education. Though we support the concept of portability in principle, it is politically unrealistic. In view of the large amounts of money New York puts into student aid, and the State's fiscal circumstances, it would be fiscally irresponsible under the present rules of the game for New York to permit portability.

Another major problem has been the increased numbers of emancipated

students. How do we define students who claim financial independence from their parents? Back in 1974, over the Department's objections, New York adopted the federal emancipation provisions. As a result the proportion of students receiving aid as emancipated students rose from 14 percent in 1973-74, when New York used more stringent criteria, to 19 percent in 1974-75, to 22 percent in 1975-76. I understand that the proportion of emancipated students in the BEOG programs has reached 40 percent. This year we recommended a significant change in the emancipation provisions. We proposed much more restrictive criteria for students under 22 years of age, the federal criteria for students between 22 and 35 years, and automatic emancipation for students over 35 years of age. In addition, the Regents proposed a separate reduced schedule for emancipated single students on the rationale that the emancipated student's income can be committed fully to paying his or her college-going costs. Our present schedule was designed for families with other economic obligations besides putting their children through college. Without this change, our program could not continue to be fiscally viable. Indeed, drastic cutbacks have already been proposed by the Governor for next year; otherwise the TAP program alone would have grown to $218 million.

My last point has to do with accountability. Given the levels of funding for the combined program--BEOG and the TAP--the temptations for abuse are enormous, especially for institutions suffering financial difficulty. New York has already experienced two or three instances of abuse of the program, usually parading under the banner of nontraditional study. Courses are established that require, say, only three contact hours per week but carrying six credits. Presumably independent study justifies the high award of credit. Students take two courses, attend class six hours a week, and are enrolled for twelve credits, which qualifies them as full-time students eligible for both BEOG and TAP grants. One institution that funded its entire program through this device went from zero enrollment to a thousand students within one semester.

We are now under tremendous pressure to require a contact hour in class for every credit awarded. We are searching for ways to avoid

adopting so mindless a regulation and thus eliminating all nontraditional study. We believe we can find a way to do so, but only with much more detailed scrutiny than we have required in the past. Yet the problem of assuring the credibility of the program is a serious one for any state which distributes large amounts of student aid funds.

Our audit effort has been expanded. The Higher Education Services Corporation has established an audit unit. The Comptroller's Office may undertake extensive audit work. The State Education Department's Academic Program Review Division--whose primary responsibility heretofore was maintaining high quality and encouraging improvement--is now becoming more involved in regulatory efforts designed to identify the few entrepreneurs in this state who try to take advantage of the combined student aid programs in order to compensate inappropriately for their own financial difficulty. Next year, the Department's program review staff will be doubled to assure credibility of the program. We are encountering the problem for the first time this year, but I suspect it will grow worse, imposing real burdens on those of us who are promoting student aid as a major commitment of state finances. The conventional wisdom that government intervention in independent institutions is less likely if state monies are distributed as student aid rather than institutional aid may turn out not to be correct. I will end on that "optimistic" note.

Question-and-Answer

MR. HUGHES: Thank you, Ted. If anyone has any specific questions to ask Ted, why don't we have them now?

MS. SMITH: What proportion of students in the independent sector received TAP awards?

MR. HOLLANDER: I would guess that the figure is around 45 percent. From 70 to 75 percent of the undergraduates enrolled in the independent sector are New York state residents, and most qualify for TAP. I am excluding part-time students; only full-time students are eligible for TAP awards.

MR. WAGNER: Did you say earlier that 10 percent of the students receive both BEOG and TAP awards?

MR. HOLLANDER: That figure was for the first year of BEOGs. Over the four years, the proportion has risen to 30 or 40 percent.

MR. WAGNER: So you estimate that from 30 to 40 percent of the BEOG recipients in New York state are also getting a TAP award?

MR. HOLLANDER: Every New York State resident gets a TAP award who is entitled to a BEOG award.

MR. HUGHES: Does BEOG eligibility automatically entitle you to TAP?

MR. HOLLANDER: No. But if you meet the income test for a BEOG, you have to qualify for TAP if you are a New York State resident attending a New York State Institution.

MR. WAGNER: Forty percent of the TAP award winners are also BEOG recipients?

MR. HOLLANDER: I would guess that.

MR. MILLARD: Ted, did I understand you to say that at present non-resident students going to New York institutions receive TAP awards?

MR. HOLLANDER: No, they do not. TAP is limited to New York residents attending institutions in the state.

MR. MILLARD: Then, I don't follow your remark about the legislature's cutting back to residents as a recent move. Are they cutting back still further, or what?

The Governor's Proposals

MR. HOLLANDER: In his executive budget, the Governor offered three proposals. The first was that a new award schedule be established for emancipated students; the State Department of Education developed and supported that proposal on the grounds of equity.

Second, he proposed that BEOG awards, Social Security benefits, veterans' benefits, and other forms of nontaxable income be added back

to the taxable income in determining the net adjusted taxable balance for the purpose of determining the award level. I suspect we may end up with something like the federal income criteria. Again, the State Department of Education supports the proposal on the grounds of equity.

The third proposal--which is primarily an attempt to save money--will stir up a lot of controversy. In 1974 the legislature eliminated the requirement that the student had to have graduated from high school subsequent to January 1, 1974, in order to qualify under the highest TAP schedule. The Governor proposed reinstating that requirement. More specifically, he proposed that the maximum award of $1,500 under the TAP schedule be limited to students who graduated from high school after January 1, 1974. All others (meaning adults) would receive awards based on the old Scholar Incentive schedule.

Another controversial issue is the extent to which TAP money should be given to college students who are enrolled for the majority of their course work in remedial programs. There is pressure to eliminate student aid for students enrolled in remedial work; the intention is to contain increases in program costs. The issue is really a fiscal one.

Unspent Funds and Overawards

MR. GLADIEUX: Ted, you mentioned the redistribution of grant funds. Has New York experienced the same problem that institutions in other states have encountered this year, at least in the campus-based programs: the problem of the underutilization of student aid funds as a result of the sudden upsurge in BEOG money and, in your state, of TAP money as well?

MR. HOLLANDER: If New York has such a problem, it hasn't surfaced as an issue yet. Indeed, I think any such problem would have to be attributed to poor management, because the cost of going to college is formidable, at least in New York. Public tuition is high, and tuition at the independent colleges is soaring. For example, the total cost of attending Cornell University is about $7,000 a year. Even small independent liberal arts colleges that originated as denominational institutions (and these are our lowest-cost institutions) have tuitions in the

neighborhood of $2,000; other college-going costs average around $1,600, for a total of $3,600. Even the lowest-income student who gets a BEOG and a TAP award still has some unmet need. Students in our Higher Education Opportunity Program are borrowing $500 a year to finance the difference. So if there are unspent funds, it means that institutions are waiving tuition (what they call unfunded student aid) when they could be making use of available student aid funds.

MR. GLADIEUX: The corollary of the unspent money problem--and the phenomenon that has upset many people--is that in some states students may be getting more financial aid than they really need. Obviously, that is not your perception of what is happening in New York.

MR. HOLLANDER: It depends upon public attitudes about what students ought to get. Some people in New York feel that students are getting too much financial aid and that greater student effort should be required. For example, a student may be working--and most students in urban areas do work--and also getting BEOG and TAP, and perhaps veterans' benefits. It may be that such students have enough money to meet their college costs comfortably. I suspect that such cases--though they are the ones that get publicized--are very rare. The problem is political rather than economic, but it is a real problem.

MR. VOIGHT: I'd like to add a brief comment here. A small proportion of campus-based programs have always had some problem with unspent money due to poor management. The reason the problem seems bigger this year is simply because the supplemental funds for the College Work-Study program were appropriated so late; this is a one-time problem that probably won't exist next year.

The Emancipated Student

One additional question, Ted. Did you say that the definition of "emancipated student" had changed, or that you were thinking of changing it?

MR. HOLLANDER: The way in which it was enforced was changed last year, and the change (which I objected to) has imposed a terrible burden

on students. To prove that they are emancipated, students must file a supplementary form (referred to as the "green monster") which requires a copy of the parents' tax form or an affidavit that the parents are dead. The irony is, if students are actually emancipated, they may be unable to provide this information; often they don't know whether their parents claimed them as exemptions, and they have no way of getting their parents' tax return. So the criteria are poor, and the requirement cannot be enforced, not in a program that serves 240,000 students.

Next year, the system will be changed so that students of 35 years of age or above are automatically permitted to claim emancipation. Students between the ages of 22 and 35 would have to meet the federal guidelines. Students under 22 years of age will have to demonstrate unusual circumstances that justify their being considered emancipated. For instance, if a student can demonstrate that he is alienated from his or her parents, that both parents are deceased, or that he/she is wholly self-supporting and living away from home, then that student will be declared emancipated. That was the way it worked before, and the system made sense and was enforceable. Then we moved to a system of almost automatic emancipation. The temptation for middle-income young people to claim emancipation is great, when what is at stake is getting either zero or $2,900 in aid, especially if that means the difference between going to the college of their choice or going to just any college out of financial necessity. So the system itself generated abuse.

On the schedule issue, we argued on the grounds of equity that if students have no income and are emancipated, they clearly should receive the maximum available award. But unmarried students with $7,000 income (which could entitle them to the maximum award level) should be willing to contribute a large portion of that income toward college costs. It is not equitable to put such students on the same tuition assistance schedule as students from families who have such other obligations as supporting other children, maintaining a household, and

so forth. So the new emancipation award schedule for single students will start at the same level as the "family" schedule and scale down very quickly as income rises.

MR. HUGHES: Thanks very much, Ted, for both your presentation and your responses to the questions. Now we'll hear from John Mandryk, who is Coordinator for Student Assistance in the Rhode Island Department of Education.

The Rhode Island Scene

MR. MANDRYK: My presentation will be organized around three main topics: first, Rhode Island's objectives with respect to student aid; second, the contribution of the BEOG program in helping to meet those objectives; and third, suggested changes in BEOG and other student aid programs that might facilitate the achievement of the objectives; in discussing this last topic, I will present a proposed model of student aid in Rhode Island.

Student Aid Objectives

Rhode Island has five distinct objectives with respect to its financing structures for postsecondary education, the first three being student-related and the last two, institution-oriented. They are: (1) to maximize student access by increasing the number of young people who decide to go to college and who might otherwise not have attended because of lack of financial resources; (2) to maximize student choice by increasing the selectivity of institutional choices by young people who, because of lack of financial resources, might otherwise have decided to attend low-cost, less selective institutions; (3) to maximize student retention by increasing the likelihood that young people, who might otherwise have dropped out due to lack of financial resources, will remain in college; (4) to maximize institutional viability and fiscal stability; and (5) to ensure that institutions can set their tuitions at levels that will allow them to participate competitively in the educational marketplace.

To judge the effectiveness of either the state programs or the BEOG program, then, it is necessary to determine if more students enrolled in postsecondary education who otherwise would not have; if more students chose to attend higher-priced institutions who otherwise might not have; if fewer students dropped out for financial reasons; if fewer institutions experienced financial difficulty; and if more institutions were capable of offering competitive tuition prices.

There are two possible ways to answer these questions. The first is to survey a representative sample of students and institutional officers, asking them why they made particular decisions and whether the financial aid available affected those decisions. Unfortunately, we don't have these kinds of answers. The second way is to look at selected items of data that serve as clues. What specifically are we looking for? As far as the BEOG program is concerned, we need to know the answers to two questions: Do students know the likelihood of their receiving a Basic Grant early enough in the decision-making process to affect their postsecondary planning? Are there significant differences between the educational costs of institutions selected by students from families at various financial levels?

Impact of BEOGs on College Decisions

Before looking at some of the data, I'd like to propose a general hypothesis: That the overwhelming majority of young people make the crucial decisions--whether to attend college, and what institutions to attend--before May 1 (say, around April 15) preceding their first academic year. (This hypothesis assumes that, by that date, the institutions have told them whether they are accepted.) If that hypothesis is acceptable, then it follows that the BEOG program will affect the decisions only of those young people who apply for a Basic Grant before May 1 and that any inefficiency in the program lies in providing dollars to young people after May 1, when they have already made the crucial decisions.

According to information collected by Rhode Island's Postsecondary Education Commission and used by policy-makers in the state, in 1976

Rhode Island had approximately 13,400 high school seniors, 26 percent of whom applied for a BEOG. Of those who applied, 50 percent were eligible. The time framework for the application behavior of these young people is as follows: 452 (slightly over 3 percent of all high school seniors) applied in the month of January; the figure for February was 964, for a cumulative total of 10 percent; in March, it was 808 (cumulatively, slightly more than 16 percent); in April, 363 (18 percent); and in May, 209, bringing the cumulative total up to 20 percent. Adding on to that the 632 who applied at some unspecified point between January and May, we reach the total of 26 percent.

In essence, then, the BEOG program may have affected the college decisions (whether to go and where to go) of about one in four high school seniors in Rhode Island. If my original hypothesis is valid, the implication is that young people who applied to the BEOG program after that time had already made their decisions and that any student aid dollars they received did not enter into consideration.

We have also collected data that give some idea of how many eligible young people actually apply for a BEOG (Table 1). Of Rhode Island's 13,457 high school seniors in 1976, 3,085 (23 percent) came from families with incomes below $10,000; 6,102 (45 percent) came from families with incomes between $10,000 and $20,000; and 4,272 (32 percent) came from families with incomes above $20,000. Of the lower-income group, well over half (55 percent) applied for a Basic Grant, compared with about one in five of the middle-income group and only one in ten of the upper-income group.

Table 1

BEOG Applicants and Recipients Among Rhode Island's 1976 High School Seniors, by Income

Income Group	Est. # of Seniors	BEOG Applicants		% of Applicants Receiving BEOGs	Est. # of Unreached Eligible Applicants
		N	%		
Below $10,000	3,085	1,696	55	76	1,055
$10,000 - $20,000	6,102	1,292	21	33	1,587
Above $20,000	4,272	406	10	4	155

Additional data from models generated by the Rhode Island Department of Education (not shown in the table) indicate that about 35 percent of all lower-income 1976 high school seniors actually participated in post-secondary education: That is, more young people from this group applied for a BEOG than actually enrolled in college. Of the middle-income group, about 70 percent enrolled in college--dramatically more than applied for a BEOG. About four in five of the upper-income group enrolled in college.

Has the BEOG program, then, helped Rhode Island to meet its objectives with respect to student financial aid? It certainly seems logical to infer that young people from the lower-income group usually know the size of their BEOG grant before they made the decision to attend; that much fewer of the middle-income group knew about the likelihood of their receiving a grant before they made the decision; and that a significantly greater number of the higher-income group attended college than applied for a BEOG.

The figures in the last column attempt to give some sense of how many seniors who did not apply would have received a BEOG if they had applied. At the lower-income level, the estimate is 1,055 (or 34 percent of all high school seniors at this income level); at the middle-income level, 1,587 (26 percent); and at the upper-income level, only 155 (3.6 percent). These figures are, of course, based on broad assumptions about the finances of these young people; we have no actual information. Nor do we know how many of these high school seniors who were eligible but did not apply for a BEOG actually went on to college.

The general conclusion is that we are doing a fairly good job in getting lower-income seniors to apply for a Basic Grant but that we have a problem with information lag at the middle-income level: Over 1,500 of this group, who may or may not be enrolled in college, were estimated to be eligible for a BEOG but did not apply to the program. Are there any questions so far?

MS. HOLMSTROM: About those high school seniors in the lower-income group: You say that 55 percent applied for a BEOG but that only 35 per-

cent actually enrolled in college. Have you any ideas what went wrong for the others?

MR. MANDRYK: No. We like to be able to follow them up, but that requires too great a commitment of time and resources relative to other competing activities. I would speculate that these students simply decided that going to college was not worth the extra sacrifice required of them or that many of them had other commitments: marriage, the armed forces, and so forth.

MR. WAGNER: Looking again at the figures: Of the 55 percent in this group who applied for a BEOG, 76 percent actually received a grant, meaning that one in four of the applicant group was deemed ineligible. I would guess that a large proportion of the lower-income young people who did not enroll in college were those who had not received grants.

MR MANDRYK: That is certainly a possibility. Moving on, I would like to pose the question, Is the BEOG program providing increased choice: that is, making students more selective in their choice of an institution. Again, we have no direct answers, but Figure A, showing a model of the probable distribution of student financial aid by family income, is suggestive. On the whole, there are no great differences in the costs of the institutions that students at different family income levels choose to attend, except for a slight upward trend, indicating that the lower the family income, the more likely the student is to choose a low-cost institution; and the higher the family income the higher the cost of the institution the student chooses. One slight anomoly is found for students from families with incomes from $6,000 to about $10,000, and that raises the question, Is the BEOG program providing dollars to these students early enough in the decision-making process to cause them to choose institutions that are higher-priced than what they would ordinarily be expected to choose? I have no answers to that question.

A Proposed Model

Finally, I would like to show you how we visualize the formulation

of the different programs. Across the board, at all income levels from zero to $25,000, the expectation is $500 in self-help, including earnings from outside employment and savings. Using College Scholarship Service (CSS) tables, we project that, starting at the $10,000 income level and moving upward beyond the $25,000 level, parents will make a progressively greater contribution to their children's education. It is important to note that these are cumulative figures: That is, the parents' contribution at the $10,000 level is not $500; it is zero and moves upward from that point.

Turning to the BEOG program, we find that the largest grant is provided to students at the zero family income level and that the amount then drops slightly and begins to build upon parents' contribution. A dip occurs for families with incomes of between $8,000 and $13,000: That is, students from these families are the neediest, after we have taken into account self-help, parents' contribution, and BEOG. State student aid funds are designed to meet that need, providing dollars to students starting from the $10,000 to the $12,000 income level. The blacked-in and the cross-hatched areas on the chart indicate alternative modes of funding the state program and how far each would reach.

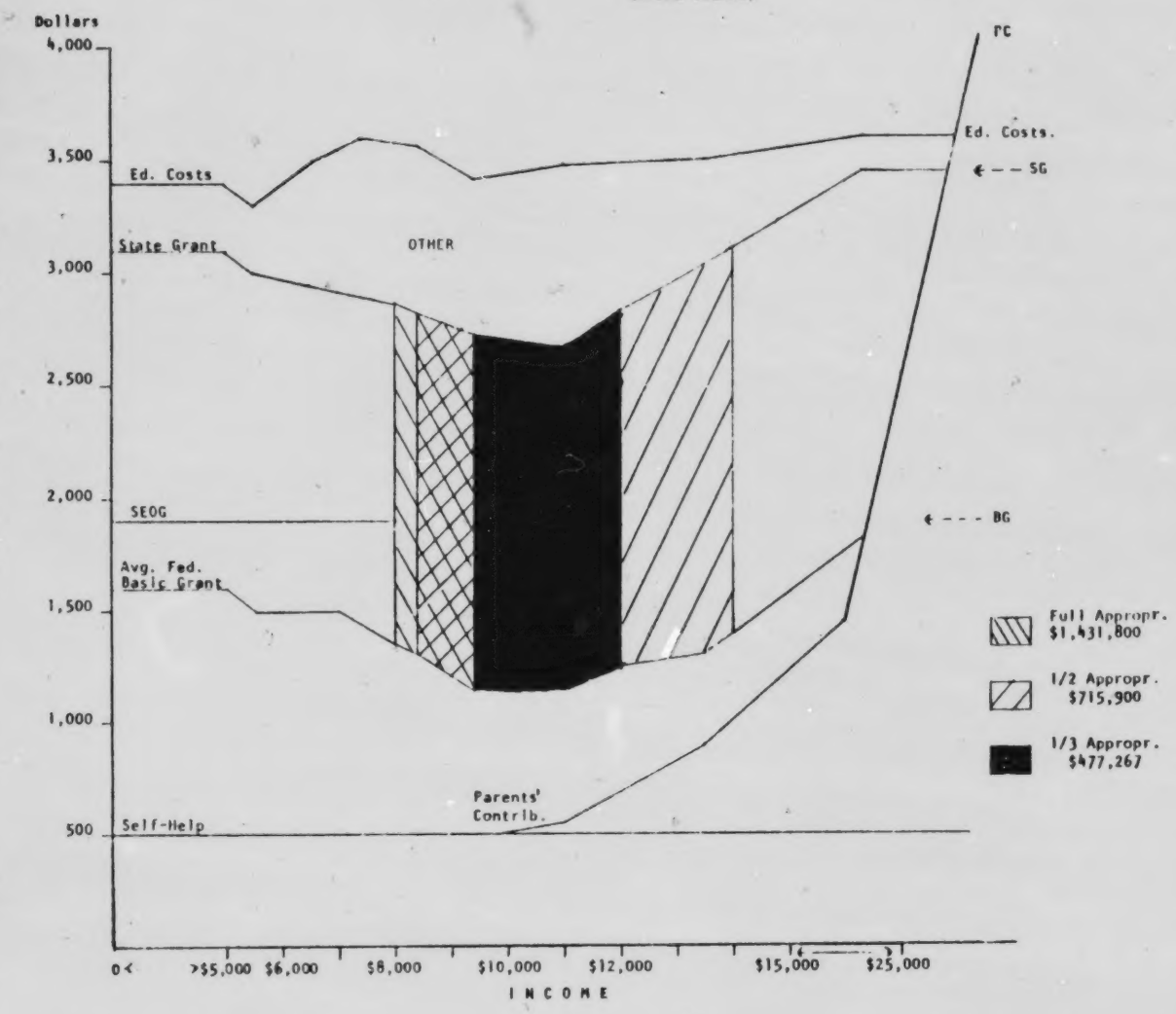
Next, we must look to the three campus-based federal student aid programs--College Work-Study (CWS), National Direct Student Loans (NDSL), and especially Supplemental Educational Opportunity Grants (SEOG)--though relative to other New England states, Rhode Island receives few tripartite dollars. Our SEOG program is small compared with that of such states as Vermont and Maine; we have enough to provide funds to students falling underneath the line on the chart marked SEOG. But from there on in, we must rely on institutional aid and other resources to fund students.

MR. HOLLANDER: I seem to have missed a point in connection with this chart: Are these the state funds you now provide, or is this a model of what you would like to provide?

MR. MANDRYK: This is a model of what we would like to provide. Rhode Island is now in a period of rapid change with respect to student

FIGURE A

PROBABLE DISTRIBUTION OF STATE GRANT FUNDS BY FAMILY INCOME*
(RHODE ISLAND)



*1976-77 BEOG applicants; high school seniors; dependent students

financial assistance. There is a bill before the Rhode Island General Assembly proposing that every program now known as student financial aid at the state level be phased out and that new programs be phased in; the model presented in this figure depicts the probable impact of the grant program now being recommended to the General Assembly.

MR. HUGHES: You say that the most needy students are those from families with incomes of from $8,000 to $13,000. Is this because of family size or what?

MR. MANDRYK: They are the most needy in the sense that, after taking into consideration self-help, parents' contribution, and BEOG, these students have demonstrably fewer resources available to them to finance their college education.

In conclusion, we believe strongly that students need to be given information about the likelihood of their receiving student aid much earlier than May 1 or after, which is only a few months before they are due to accept admissions offers from colleges. The Rhode Island Department of Education is now trying to disseminate to guidance counselors documents indicating what success our high school seniors had last year in getting BEOGs: tables that say, for instance, that in 1976 four in five of the students from families with incomes of $10,000 and four dependents received BEOGs. In that way, guidance counselors will have a little extra information by which to identify needy students and urge them to participate in the BEOG program. Another device we use--and this may constitute a dirty trick--is to urge juniors and even sophomores to file a BEOG application so that they will get some idea of the likelihood of their receiving a grant earlier in the planning process.

But, to repeat, the most urgent need is to get the information to young people sooner so that it will have a desirable effect on their college-going decisions. That concludes my contribution to this forum today.

Question-and-Answer

MS. SMITH: I'm still trying to understand the chart. Are you saying that, if you get the appropriations you want, you would give grants to students higher on the income spectrum?

MR. MANDRYK: That is correct. If we receive the maximum appropriation, we would be able to give grants to students at the extremities of the vertical lines: at income levels of between $9,000 and $12,000.

MS. SMITH: And the maximum state award would be about $1,000?

MR. MANDRYK: No; ideally, the maximum would be about $1,500. I suspect we would have to develop stipend tables and that we would not be able to provide for full need. In essence, we would shrink down those vertical lines on the chart and push state assistance to the left--to lesser income levels.

MR. HOLLANDER: Are you proposing a program where state awards would increase as income rises?

MR. MANDRYK: No, we are proposing a program that provides dollars to the students on the basis of their lack of resources.

MR. HOLLANDER: And the legislature will give you a lump sum and let you allocate it?

MR. MANDRYK: Yes. We will allocate it on the basis of need and the criteria in the legislative proposal.

MR. HOLLANDER: A nice legislature.

MR. HUGHES: Are there any state awards going out now?

MR. MANDRYK: Yes, we have a Rhode Island State Scholarship, awarded on the basis of demonstrated ability and financial need. But we are no better than the BEOG program in getting information out to students in time to have an effect on their college decisions. They don't know the size of the awards they will get until midway through the year. You see, it's easy for me to talk about the problem, because I must live with it from day to day.

MR. HONEY: Are the state grants nonportable?

MR. MANDRYK: They are portable

MR. HUGHES: Do you require that the student apply for a BEOG as part of the state application?

MR. MANDRYK: We have such a policy, but it is too late to enforce it this year. We are sending letters out now to notify students that next year we will require a BEOG application.

MR. HUGHES: If there are no more questions for John, we will move on to the state of Maryland, which is represented by Sheldon Knorr, Commissioner of the State Board for Higher Education.

The Maryland Scene

MR. KNORR: I would like to talk first about Maryland's present system of higher education and about the outlook for the future. Then I am going to call upon Kenneth Shook, who is the Executive Director of our Scholarship Board, to discuss our student aid programs.

Postsecondary Education: Present and Future

Maryland's postsecondary education system comprises about 200,000 students, half of them in four-year public colleges, one-third in community colleges, and one-sixth in private institutions. About nine in ten of our postsecondary students are Maryland residents. This year, for the first time in the history of the state, our college population is more female than male: about 51 percent of the students are women, compared with about 40 percent five years ago. Forty-nine percent of our students are enrolled part time. About 18 percent are minority students, compared with about 12 percent five years ago.

Tuition levels in Maryland average about $800 in the four-year public colleges, $400 in the community colleges, and $2,300 in the private institutions. We provide general state support at about $1,600 per student to the public four-year colleges, $700 per student to the community colleges, and we have a state aid program to private institu-

tions according to which they get 15 percent per student of what the public institutions get: This year, that amounts to about $250 per student. It is proposed that state aid to private institutions be increased to 20 percent per student; and to community colleges, to $800 per student. Right now, our student assistance programs total about $5 million or thereabouts in scholarships and about $8 million in loans.

As far as the outlook for the state of Maryland is concerned, we estimate that given the combined inflation rate and enrollment rate over the next five years, 50 percent more money will be required to operate the system at its present level. But state general funds for postsecondary education will probably increase no more than 30 percent over this period. Thus, one of two things wil happen: Either operations and programs will be cut back, or tuitions will rise.

Rough estimates indicate that, for every $100 increase in tuition that is not matched by an increase either in family income or in financial aid, we exclude about 1.5 percent of our market. So student aid is very important to us and has been a topic of discussion in the State Legislature every year that I have been in Maryland, which is since 1965. Under consideration this year is a state-operated loan program that would make it easier for students to borrow from sources other than banks.

I will now turn the discussion over to Dr. Shook, who is an expert on student aid programs in Maryland, as well as student financial aid in general, having been a financial aid officer in a college before taking his present position.

Student Aid System

MR. SHOOK: Let me clarify my situation first. I have been on this job a little over a year, during which many things have happened. Generally, we are moving in the right direction, and a lot has been accomplished; but we have really just scratched the surface of what needs to be done. To appreciate what has been happening, you need to know something about our system of student aid.

Most states have relatively simple systems compared with Maryland,

which has fifteen categories of scholarships; my job is to coordinate and administer all fifteen programs. This year, for the first time, we had a single application form to cover all fifteen. In past years, each program required a separate form, and the result was chaos. People didn't know what they were applying for. But with a single application form, we can coordinate efforts to make sure that each student is getting on the right roster and is trying for all possible money sources.

This year, also for the first time, we have built on the BEOG program. The State Scholarship Board has pushed very hard to get young people to apply for BEOGs, and they seem to be doing so in record numbers. According to our most recent figures, about 45,000 people had applied, and about 31,000 had qualified. These numbers far exceed those of previous years and suggest that more people must be pushed to apply for Maryland state scholarships. About 8,500 applicants sought aid from the state in 1976-77, and about 12,000 in 1977-78. Many people who could qualify for state scholarships are simply not applying for them.

One intriguing fact about Maryland college students: Many of them who get BEOGs are delighted, thinking that is all they will need; they can go to a community college, which costs perhaps one-third or two-fifths of the BEOG, and they believe that they are going to have money left over. They need to understand that costs do exist beyond what is covered by a Basic Grant.

In fact, some community colleges say they don't need loan funds anymore, that they have enough money from other federal programs: College Work-Study and so forth. At one of our largest community college, loan funds were cut to about 20 percent of what they had been on the grounds that delinquency rates were too high and that the money was available to give students scholarships or grants instead.

Thus, in Maryland, the packaging concept has not yet taken hold. That is my greatest concern: I believe that the BEOG program shouldn't have to do it all; and I very much support the half-cost limitation. To abandon that provision would be to nullify the need for other types of aid.

Both the state and the institutions should be given a chance to make their contribution; each source should do its share.

Estimated Student Need

No one in the state can give a very reliable estimate of what is needed in the way of student aid. My own guess would be that at least $65 million is required to meet the needs of all students going on to higher education in Maryland. At present, the BEOG program is providing about 22 percent of that, and the campus-based federal aid programs are providing another 28 percent. So the federal share amounts to about half of what is needed.

The state is providing, through grants, about 6 percent--obviously not a reasonable proportion, but until more people can be induced to apply for state grants, it is unreasonable for me to go to the State Legislature armed with elaborate charts showing what other states provide, and ask for more state money. The year before I became executive director, only 6,500 people applied for state grants; our office made a great effort and increased that number to 8,500 new applicants for student aid. But now all these names have been wiped out, and we desperately need more people to apply. That is one of the reasons I redesigned the application system: to get more of those application forms coming in. But until the names are there, it is useless to me to go to the legislature and say, "Give us $5 million more." We couldn't use the money if they did, not unless we met a huge share of student need, and I don't think that it is ever desirable to do that. Right now, Maryland's approach is similar to Pennsylvania's: If a student's need is $1,500, he/she get a state grant of $500, or one-third of that need.

The State Student Incentive Grant (SSIG) program provides for about 1 to 2 percent of the need of Maryland students. Therefore, if adjustments are to be made in the level of federal funding, why not increase SSIGs? That would have the added advantage of motivating the states to throw more money in the hopper. Moreover, if funds are given to an institution, then the institution should be urged to match them. Right

now, none of the federal programs really work that way; the College Work-Study program set out to do that, but the institutions have a very limited financial commitment. It is my conviction that the federal government should do more to motivate other sources to contribute to the total program.

The largest of Maryland's fifteen grant programs are the Senatorial program and the General State program. Both are directed strictly to undergraduates and targeted to needy students. These awards, which a recipient can hold up to four years, range from a minimum of $200 to a maximum of $1,500 a year. We have tried to keep these two programs simple so that we can coordinate the effort between them. Both of these programs require ability tests: the Scholastic Aptitude Test (SAT) or the American College Testing (ACT) Program test. Therefore, we must go through the College Scholarship Service (CSS), which has all the test scores on file; they run off our rosters. I would say that the majority of colleges in Maryland use the CSS.

If it weren't for the test requirement, I would be tempted to work directly from BEOG award rosters. That way, the applicant wouldn't have to pay for a Parental Contribution Schedule (PCS) or an SAT. I think that would be workable. I use the award rosters from the BEOG program diligently in packaging aid. Frequently, if a student doesn't submit a financial analysis form, I will turn to the eligibility index as a substitute. Although the match is not perfect, the index is an adequate substitute for evaluating need. But, as I say, we need the test scores as well.

Coordination and Timing

Those of us who work within the state agencies are keenly aware of the impact that our decisions have on the institutions in the state, and of the necessity for coordinating our efforts with those of the college community. Therefore, I urge that the federal government keep in mind that, when coordination is needed, it is needed all the way down the line: the federal government, the state agencies, the institutions.

What happened this past year under the SSIG program is a good example of what should not happen. The federal government has passed legislation (supposedly to go into effect this coming fall), making all sorts of demands on institutions, but has not allowed the lead-time necessary for any required legislative changes at the state level.

In Maryland as in other states, the foremost problem is timing. If the packaging concept is to work, BEOG awards must be made known earlier. I have been urging people to apply for BEOGs as early as February and March. If 80 or 90 percent could be induced to apply at that time, the state would have a base on which to build its own awards and the institutions, in turn, could build on top of that.

But we have a long way to go: Although we make our first awards in March and April prior to the start of an academic year, a year later we are still awarding grants for the same school year, after the September and February bills have been paid. These delays create problems for the colleges, which have to repackage after the fact, and for the students, who are unable to plan ahead.

We thought that this problem was solved when last year a law was passed saying that any state grant money that was vacated late in the year could be carried over to the next year. That would have ended the difficulties connected with trying to reaward the money late in the year. But the Governor vetoed the bill on the grounds that no agency should be allowed to carry money over from one fiscal year to the next. So the only solution is for the BEOG awards to be made early and for the state to come through very fast with its commitments; then the institutions could wrap up the whole package.

I've been talking a lot here, and I don't know if I've been hitting the points you want to know about. Are there any questions so far?

Question-and-Answer

MR. MILLARD: Has your Senatorial program been changed? Previously it was not need-based at all.

MR. SHOOK: That's not true, though the press says it is, and many people think so. According to the law, the senators must take need into account in making these awards.

MR. MILLARD: Does your agency determine the need?

MR. SHOOK: The senators get the same printout rosters and use the same system as we do, though a senator can make an award that goes beyond what the need seems to be. Every time someone criticizes a senator for doing so, I point out that many financial aid officers do the same thing, and no one questions them because they are regarded as professionals. I have found, however, that fewer than 5 percent of the Senatorial awards are in any way questionable, so the program cannot really be critized on that basis.

MR. KNORR: Let me say here that Ken and I agree on virtually everything except this point.

MR. SHOOK: To explain a little more about these programs: The Senatorial and the General State programs account for about 85 or 90 percent of Maryland's scholarship money, with the Senatorial awards ranging from $200 to $1,500. Two-thirds of the Senatorial awards fall into the $200-$300 range. So if these awards are to be criticized, it is because they tend to be too small, not too large. By law, a student cannot hold both a Senatorial and a General State award. So if I see that an applicant's need is very great, and if a senator offers that applicant only $300, I make the larger award through the other program. As you can see, then, we have a way of adjusting as we go along. Obviously, a single program would be much easier to administer, but the present system is still highly workable.

MR. SAUNDERS: You say that 28 percent of the total student aid money in Maryland comes from the campus-based programs and that only 22 percent comes from the BEOG program. I don't understand that; surely BEOG funds are double the funds for tne campus-based programs.

MR. SHOOK: Not so. During 1975-76, the BEOG program in Maryland

amounted to about $14 or $15 million, and the campus-based programs came to about $16 or $17 million. So the campus-based programs accounted for a slightly larger proportion of total student aid money. I'm not talking about the current academic year, since it's not over yet.

Getting Students to Apply

MR. HUGHES: Do you have any way of encouraging more young people to apply for BEOGs? Perhaps Maryland's low application rate is simply due to lack of information.

MR. SHOOK: As I mentioned earlier, the number of qualified applicants jumped considerably in 1976-77, though it's still impossible to know how many of these eligible young people will actually use their grants; I will be very interested in the final figures. I believe the number of applicants will jump again this year, and the next.

MR. KNORR: The state did a much bigger public relations job this year than had previously been done. For instance, in September--as part of what is referred to as a desegregation plan in Maryland--we distributed to every high school senior and junior in the state a brochure outlining all the opportunities available for postsecondary education (not only the traditional colleges but also the proprietaries) and giving financial aid information, along with postcards that could be mailed in to us if the student wanted further information.

MR. SHOOK: In addition, we go to "college nights" and "college fairs" at high schools around the state, talking about the packaging concept, with BEOG as the starting point. Just as in Rhode Island, we tell everyone: "If you have the faintest hope of any kind of aid at all, apply. It costs nothing."

Moreover, if someone gets a state award, and we are not sure whether he or she has applied for a BEOG, we write a letter saying, "Here is a BEOG application in case you haven't applied, but we are assuming you are going to apply and get a grant."

The Concept of Need

MR. HOLLANDER: You used the term need several times. Could you define it for us?

MR. SHOOK: We define need as the gap between the family's ability to contribute and the total costs of going to a particular institution.

MR. HOLLANDER: You estimated the total need of all Maryland residents going on to higher education as $65 million. What is that a percentage of? What do you estimate total college-going costs to be?

MR. SHOOK: Sheldon already cited average tuition costs: about $800 per year at four-year public colleges, $400 at community colleges, and $2,300 (though I would place the figure closer to $3,000) at private institutions. After lengthy discussions with college financial aid officers, I arrived at some figures for total college costs. It was agreed that $1,500 should be added for a commuting student, which would bring total costs to about $2,000 at most community colleges. At the state universities, a resident student pays about $2,400 for room, board, tuition, and fees; on top of that should be added $700 to cover books, laundry, transportation to and from home, and similar living costs.

To be honest, my figures are occasionally higher than those the institutions set. For instance, I estimate that the costs of attending the University of Maryland would total $3,100, but probably no one in their financial aid office would allow the budget to exceed $2,800.

MS. SMITH: You said previously that the state now meets about 6 percent of the estimated need, but that for individual students, state grants cover about a third of the need. Is the difference in these figures attributable to the low application rates for state grants?

MR. SHOOK: According to the latest figures for the current year, 28,200 of the BEOG applicants were found to be qualified. Every one of those people would have received a state grant if they had applied, yet only about 12,000 did so, and that covers both new applicants and renewals. So many people who would be eligible for a state grant are simply not

applying. As I pointed out, many feel that they don't need the money. If you give students $1,000 to attend a community college where the tuition is $350, they are likely to say, "That's all I need."

MS. SMITH: In other words, they think they are so far ahead that they have no motivation to apply for a higher-cost institution?

MR. SHOOK: I think you have to accept that a vast majority of very low-income people will end up at a public institution, usually a community college, and they often underestimate college costs.

MS. HOLMSTROM: I'm still having some problems with your figures. If half of the money to meet student need comes from the federal government and only 6 percent comes from the state, where does the rest come from?

MR. SHOOK: My point is that a big gap exists, though obviously some of the money is provided by the institutions themselves.

MS. HOLMSTROM: Forty-three percent?

MR. SHOOK: No, far from it. When we talk about student need, we are using budgets that we have set, and when we talk about expected family contribution, we are using figures that a computer prints out. But the student doesn't always see it that way. I estimate that the total cost of attending a community college is $2,000 and use that figure to calculate student need, but you can give students far less than that, and they still feel that they can make it through college. Perhaps we don't need to offer so much. Presumably, if our office had all the money we believe we need, and if all those eligible applied for state aid, we would have some very happy college students. For instance, a community college student might get a $1,000 BEOG, a state grant of $300 or $400, and then supposedly the institution would provide another $700. Some would view such a package of aid as excessive; others, as reasonable.

MS. HOLMSTROM: What is the baiss for your $65 million estimate of student need?

MR. SHOOK: My most important source of information was the roster

of BEOG applicants; then I had to guess what proportion of this group stays in the state to attend college. So with this figure, along with data on average college costs, I arrived at the figure of $65 million, for which I claim no great accuracy. The need may be as high as $80 million, but I don't think it is less than $60 or $65 million.

MR. WAGNER: Let me comment on your example of the student with the $1,000 BEOG who feels he doesn't need other aid. Pricing does not affect all students equally in their college-going decisions. Family contribution schedules are based on the typical student, and families differ considerably in how much money they are willing to put up for their children's college education. Many of the Maryland students, especially in the community colleges, may feel that their Basic Grant is sufficient and that they can come up with any extra money needed, either from their families or from their own resources. But many more students may not be enrolling in college at all or may be going to lower-cost colleges than they would otherwise choose simply because they aren't aware that they can get more funds. The BEOG program is intended to induce these marginal students into the postsecondary system, though it is impossible to target that aid precisely. But the state aid added to the BEOG aid is undoubtedly going to pick up a lot of the marginal students.

College-Going Rates in Three States

MR. HOLLANDER: What proportion of your high school graduates go on to college?

MR. SHOOK: At this point, the figure is 42 percent.

MR. KNORR: Let me interrupt to point out here that the 42 percent figure applies only to the collegiate sector; it does not include those who enroll in a proprietary school. In 1963, about 42 percent of our high school graduates enrolled in college directly after high school graduation. This figure rose to a peak of 50 percent around 1970 and has since declined to about 42 percent, though the rate has held fairly steady for the last year or two.

Overall, however, enrollments have been increasing because of an

influx of people older than the traditional college age. This year, for example, one-fourth of the women and one-fifth of the men attending college were over 30. Most of these older students are enrolled on a part-time basis. We estimate that our enrollments will continue to increase gradually until about 1985, thus going against the national trend of declining college enrollments. For instance, in fall 1976, we experienced about a 3 percent increase. Part of the reason for this trend is that Maryland's college-going rate has traditionally been low, so in a sense we had nowhere to go but up. Now there is a growing tendency for older people who had not previously attended college to enroll.

MR. GLADIEUX: How are your state student aid funds split between the public and the independent sectors?

MR. SHOOK: A much greater proportion goes to the public sector because a much larger proportion of students enroll there. But the awards to students in the private sector tend to be much larger, of course: in the $1,000-$1,400 range. The community college student typically gets an award of $300 or $400, and the student attending a four-year public institution usually gets from $400 to $700. But even with these large differences in the amounts of the individual awards, most of the state student aid money goes to the public sector.

One final point: state student aid is not currently portable. One commendable feature of the BEOG program is that it is helping those Maryland residents who want to go out of state to college to do so by providing them with portable funds; we hope that the institutions they attend then supply the balance needed. My hands are very much tied at present, and I cannot help these people at all. Maryland may have some legislation next year to consider making state aid portable, though most states seem to be moving in the opposite direction.

MR. GLADIEUX: I would like to return to our earlier speakers to ask what proportion of high school graduates in New York and Rhode Island are going on to college, and what direction the trend is taking.

MR. MANDRYK: Currently in Rhode Island, about 57 percent of the

high school graduates enroll in postsecondary education. Relative to other states, however, our high school completion rate is very low, though I don't have the exact figure. Nor do I have trend data on college-going rates. Looking at data on the recipients of state student aid, I can see no significant trend over the last ten years either in attendance at public versus private institutions or in out-of-state versus in-state enrollments.

MR. STAMPEN: How about New York?

MR. HOLLANDER: The peak year was, I believe, 1971. In New York City, the high school completion rate was 50 percent, and four out of five of those high school graduates went on to some form of postsecondary education. Since then, that figure has declined significantly. Upstate, the high school completion rate is 85 percent, and three out of five go on to some form of postsecondary education. Statewide, the proportion of high school graduates going on to postsecondary education was 70 percent, and it has since declined very slightly. The proportion of our high school graduates choosing in-state colleges has remained constant, whereas the proportion going out of state to college has declined substantially.

MR. STAMPEN: You mentioned earlier that New York has been experiencing a trend toward increased enrollment in the private sector. Do you attribute that to fewer students going out of state or to a redistribution among those who stay in the state?

MR. HOLLANDER: I can answer that only on a case-by-case basis. Enrollment at the State University declined by 3 percent, with at least half of that decline explained by budget limitations, but I believe that the remaining decline represented a shift to the independent sector. Enrollments at CUNY have declined substantially, primarily because the retention system has been strengthened but also because of a drop-off in freshman enrollments due to the perceived obstacle of tuition (though in fact, very few students pay full tuition). The absolute increases in enrollments at the independent colleges over the last two or three years, in my view, come from among those state residents who previously

went out of state to college and from the State University system.

MR. HUGHES: We're going to hear next from Lee Peterson, from Student Financial Assistance Service, Department of Education, Michigan.

The Michigan Scene

MR. PETERSON: Before I begin my formal presentation, let me throw some Michigan figures into the hopper and also make a suggestion. From about 140,000 to 150,000 students graduate from high school each year in Michigan, and from 53 to 55 percent enroll in postsecondary institutions, about 5 or 6 percent of that group in proprietary or vocational schools, and the rest in the collegiate sector. In 1975, after a slight downward trend for a period of years, the overall number of students going on to college increased somewhat, possibly because of the combined effects of increased financial aid and the economic constraints related to unemployment. Complete data for 1976 are not yet available. The absolute number of Michigan students enrolling in private colleges tends to increase a bit each year--the latest figure being about 60,000--but the proportion enrolled in the private sector has dropped over the last ten years from about 20 percent to 12 or 14 percent.

Now my suggestion: The Michigan Department of Education annually collects extensive information on the postsecondary plans of its high school graduates. In addition, for at least the last ten years, a survey has been conducted of the costs of the different sectors of higher education. For the first time last year, these data were compared with various economic indicators: the Consumer Price Index in Michigan, the average per-capita income, and so forth. Now, some information is also being collected on the total student aid resources available in Michigan. I think it would be constructive if ACE or ECS or some other group were to try to collect these kinds of information from all the other states, if possible.

MR. MILLARD: Let me add another footnote: Much of that information is being collected as part of the ECS study of the State Student Incentive Grant (SSIG) program. This project, to be completed by July 1

under funding from OE's Budget and Planning Office, will result in the most complete information of this kind to date, including college-going rates by state. It may also be that out of this particular study will emerge some scheme whereby the states, working in cooperation, can continue to gather such information in a systematic way.

MR. PETERSON: I would certainly support that project. To get to the main point of my presentation, I would like to make a brief statement on three topics--the overall student aid scene in Michigan, the state financial aid programs, and the role of the BEOG programs--and to emphasize the crucial importance of the communication process.

Overall Student Aid Picture

The diverse nature of the resource mix in Michigan (and in other states as well) makes it extremely difficult to get reliable information on the overall financial aid scene. Michigan has been fortunate in this regard: In 1975, a legislative study committee--The House Resolution (HR) 11 Study Committee--was convened and charged with the responsibility of reviewing undergraduate financial aid in the state and of making recommendations for the redress of any inadequacies that were observed. The committee soon found that the information needed to draw conclusions and to formulate recommendations was simply not available, so it developed a survey form and distributed it to all Michigan colleges and universities in 1975.

This data collection effort resulted in a report issued in 1976 and presenting some statewide data for the 1974-75 fiscal year. Let me cite some statistics. First, roughly 81,000 needy undergraduates received approximately $160 million in one kind of aid or another to attend public and private colleges in Michigan in 1974-75. Second, the $160 million that is currently available in the state of Michigan falls about $30 million short of aggregate student demand for financial aid during the same period. About 13,500 needy students were not funded at all, and those 81,600 students who received aid were still subject to an unmet need that averaged $345 per student.

Of the student aid funds available, over half took the form of scholarships or grants, and the remainder was about evenly split between the two traditional forms of self-help, loans and earnings from employment. Looking at the sources of these funds (Table 2), we find that the federal government accounted for about 28 percent of the total; the state, about 21 percent; the institutions, about 38 percent; and private sources, about 13 percent. These proportions fluctuate substantially, of course, by type of institutional control.

The major conclusion to be drawn from these data is that, while massive amounts of aid are available in Michigan, there is still a sizable amount of unmet student need. In addition, I should point out that the information I have presented pertains only to the collegiate sector; it does not cover vocational or proprietary schools.

The HR 11 Study Committee recommended that the Michigan Department of Education maintain and improve this data base for planning purposes. Representatives from the Department of Education have met periodically over this last year with representatives from the Michigan State Aid Association and the Michigan Department of Management and Budget to develop a revised survey form, asking for 1976-77 data, that will be sent out this fall not only to colleges and universities but also to the vocational and proprietary schools in Michigan.

State Student Aid Programs

Turning now to the second topic, state student aid programs: Michigan currently has two student resource programs that utilize the concept of a uniform methodology for need analysis. The Michigan Competitive Scholarship program is available to students attending public or private colleges and universities. Eligibility is based on performance on the national ACT test and on subsequent submission of a financial statement. Beginning this year, we are accepting either the ACT or the CSS form. So for 1977-78 awards, three forms are acceptable: the Parents Confidential Statement and Financial Aid Form from the CSS, and the Family Financial Statement from ACT. The titles of these forms will

Table 2

Total Financial Aid Funds Received by Undergraduates
Attending Michigan Institutions of Higher Education in Fiscal Year 1974-75,
by Type of Institution and Source of Funds

	Total Undergraduate FTE Enrollment (Fall 1974)	Source of Funds									
		Federal		State		Institutional		Private/ Community/ Other States		Total	
		$ (000)	%	$ (000)	%	$ (000)	%	$ (000)	%	$ (000)	%
Public four-year colleges and universities	150,568 (52.9)	22,260 (48.9)	22.6	18,310 (54.3)	18.6	42,550 (71.1)	43.3	15,260 (74.8)	15.5	98,380 (61.7)	100.0
Public community colleges	91,752 (32.3)	12,540 (27.6)	57.8	2,530 (7.5)	11.7	4,460 (7.4)	20.5	2,160 (10.6)	10.0	21,690 (13.6)	100.0
Independent colleges and universities	42,025 (14.8)	10,680 (23.5)	27.1	12,880 (38.2)	32.7	12,860 (21.5)	32.6	2,980 (14.6)	7.6	39,400 (24.7)	100.0
Total	284,345 (100.0)	45,480 (100.0)	28.5	33.720 (100.0)	21.1	59,870 (100.0)	37.6	20,400 (100.0)	12.8	159,470 (100.0)	100.0

NOTE: Row percentages are to the right of each dollar figure; column percentages are under each enrollment and dollar figure..

SOURCE: State of Michigan Undergraduate Student Financial Aid Survey, Fall 1975. Michigan House of Representatives, Committee on House Resolution #11

probably change for 1978-79, but it is anticipated that the documents from both service will continue to be accepted.

A separate Michigan Tuition Grant program, based on need alone, is available to students attending private colleges and universities but not to those in public institutions. Annual maximum awards under both programs are limited to the amount of need, the amount of tuition, or $1,200, whichever of the three is smallest.

In recent years, these two programs have provided about $20-25 million annually in assistance to needy Michigan residents. By law, all of the Tuition Grant funds go to students enrolled in private colleges, who also get about 40 percent of the Competitive Scholarship funds. Neither type of grant is portable; both are available only to Michigan residents attending in-state colleges and universities, though an individual student may not hold both awards concurrently. The average awards under both programs have increased steadily, reflecting increased college costs, especially tuition. Awards now average $680 at public institutions and close to the maximum of $1,200 at private institutions.

In addition to the Michigan Scholarship and Tuition Grant program, the state also participates as a guarantee agency in the Michigan Guaranteed Student Loan (GSL) program, which provides roughly another $20 million in student financial aid each year. In 1976, Michigan added a new state Direct Student Loan program designed to provide access to GSL funds for needy students who cannot borrow through commercial lenders. Though this new program is relatively untested, legislation has already been initiated to increase the funding maximum from $12 million to $50 million, and this amount should be available by 1978. It remains to be seen what impact the new program will have on the commercial lending community's participation in the GSL program itself.

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BEOG Impact and Suggested Changes

My third topic is the federal BEOG program, which has proved to be

a major component in the overall student aid scene in Michigan. Table 3 summarizes information on BOEG activity in the state, including actual figures for 1973-74 and 1974-75 and estimates for 1975-76 and 1976-77. In the most recently completed academic year, 1975-76, close to 100,000 people applied for BEOGs; about 61,000 were declared eligible; and about 46,000 actually received funds in an aggregate total of about $36 million.

The impact of the BEOG program on the state financial aid programs is more difficult to assess. Michigan does not automatically consider BEOG eligibility in determining its own awards but rather alerts institutions regarding information received on BEOG eligibility. The institutions then have responsibility for monitoring the total aid package and must notify the state financial aid office if they feel an overaward has been made. In doing so, an institution recommends the extent to which the Michigan awards should be reduced to rectify the specific problem encountered. The procedure operates under a general state-level audit mechanism whereby state financial aid personnel periodically check institutional records to assure that overall procedures have been followed.

It is the opinion of Michigan's Student Financial Aid Office that the BEOG program effectively augments the existing Michigan Competitive Scholarship and Tuition Grant programs. The concept by which the BEOG program operates--that is, to provide a foundation of financial aid--opens the door to many students who might otherwise not have considered postsecondary education. Building upon this foundation, the state offers Competitive Scholarship awards to needy students who demonstrate merit and Tuition Grant awards to needy students who opt to attend the higher-priced private colleges and universities. Thus, the state attempts to emphasize the concepts of merit and of choice in its own financial aid programs.

Michigan, while wishing to maintain autonomy over its own financial aid prerogatives, certainly does not wish to preempt the legitimate prerogatives of other sectors in the crucial federal-state-institutional alliance. If suggestions are in order here, I would recommend two for

Table 3

BEOG Applications and Dollar Expenditures for Michigan Applicants

Fiscal Year	Applicants Listing Michigan Home Addresses			Michigan BEOG Dollars Expended				
	Total Unduplicated Applicants	Total Unduplicated Eligible Applicants	Total Unduplicated Recipients	Public Nonprofit Schools	Private Degree Schools	Proprietary Schools	Other	Total
1973-74	18,811	9,240	6,008	$ 1,058,275	336,010	$ 65,697	$5,290	$ 1,465,272
1974-75	46,014	26,087	22,110	No Data	No Data	No Data	No Data	$12,641,921
1975-76 (est.)	99,142	61,845	46,715	$27,218,189	$6,877,202	$2,108,748	$0	$36,204,139
1976-77[a]	142,719	88,630	No Data	$23,957,890	$6,558,782	$1,870,727	$0	$32,387,399

[a]These figures represent applicants as of 1/9/77 and initial dollar authorizations as of 1/29/77.

SOURCE: Data from telephone inquiry (January 28, 1977) to Sylvia Cowan in the Washington BEOG office.

The first is for enhanced coordination. Some people have been contending recently that financial aid procedures are actually prohibiting, or at least reducing, access for many students simply because of the paperwork, the timing deadlines, and the multiplicity of forms involved. The development of a uniform methodology for determining need is a step in the right direction, and Michigan fully supports further efforts to arrive at what has been called the consensus-model delivery system in this regard.

My second suggestion has to do with system integrity. To the extent that the financial aid system can be manipulated or ripped off, its public credibility suffers and its fiscal confidence and ability to compete for a share of state resources are weakened. Every effort must be made to shore up the integrity of the application process at all levels: at the federal level, with BEOGs; at the state level, with our own financial aid programs; and at the institutional level, as they award funds on top of the federal and state contributions. This issue admits of no easy answer. It is up to everyone concerned to make sure that attention is drawn to the problem so that our credibility is not damaged.

In summary, Michigan heartily endorses the BEOG concept and hopes that further advances can be made in articulating the delivery system with other sources of aid and in buttressing the integrity of its eligibility and dollar distribution procedures.

Communicating Financial Aid Information

By way of an addendum, I would like to say that Michigan is very concerned about the communication process with respect to financial aid. Let me cite a few examples of some of the efforts we are making in this area.

First, for a number of years, Michigan has produced and distributed widely an admissions handbook to help high school personnel as they counsel students regarding their postsecondary education options. The handbook serves as a resource guide to information on collegiate pro-

grams, vocational school programs, admissions requirements, financial aid, and so forth. For the first time this year, we also produced a general financial aid brochure that covers not only our state programs but also the federal programs, including BEOG, and private sources of aid. This brochure was also distributed to high school counselors as a further tool.

Second, Michigan has been heavily involved in media work. One of the weaknesses of the existing system is that, though the information may flow to the high school counselor and from the counselor to the student, too often the pipeline stops there. Many students do not take the information home to their parents, nor do they read lengthy kinds of financial aid material. So we have worked very actively this year, sending public service announcements to radio and TV stations and also participating in longer programs whenever the opportunity arises. As a result, over the last fiscal year in Michigan, roughly 80 hours of prime-time TV and radio coverage has been given to financial aid.

Third, Michigan has developed a slide-tape presentation on financial aid that is available at no cost to high school counselors and other interested groups around the state. We are also working with various groups to develop a Master of Arts guidance and counseling curriculum component on financial aid; this program will be field-tested this spring at Eastern Michigan University in Ypsilanti.

Finally, we are working with high school personnel as well to develop a curriculum component on financial aid at the K-12 level.

We would certainly be open to other suggestions in this area. Are there any questions on any of the comments I have made?

Question-and-Answer

MR. KNORR: Would you tell us something more about the state-operated loan program you mentioned: Is this a new program, just starting this year?

MR. PETERSON: Essentially, it is the state's direct loan program. Using resources obtained through the sale of revenue bonds, the state will act as a lender in the existing GSL program. Students who want to take a loan but cannot find a commercial lender can borrow directly through the state. The first bond issue was $12 million, and we hope by next year to be able to exceed that.

MR. KNORR: Do you expect to have any problem selling the bonds?

MR. PETERSON: They are already sold. The program is operational now.

MR. WAGNER: What about migration patterns: How many of Michigan's high school graduates attend an out-of-state institution?

MR. PETERSON: The proportion is relatively small: about 10 percent. Our information on the postsecondary plans of high school graduates comes from high school counselors, however, and in some cases their reports may not be very reliable. As to in-migration, Michigan normally receives more students than it loses. My guess would be that from 20 to 25 percent of our undergraduate enrollment comes from other states, but I can't give specific breakdowns by state or by sector. It's particularly difficult to get this kind of information on private institutions.

MR. KNORR: I would suspect that a fairly large share of the private enrollment comes from out of state.

MR. PETERSON: Right. That would be especially true of sectarian institutions.

MR. HOLLANDER: I have a question about Table 2: Where do the public four-year colleges and universities get all their institutionally funded student aid?

MR. PETERSON: Those large figures are accounted for largely by one or two institutions which have tremendous amounts of institutional endowment monies. That tends to skew the picture somewhat. One other point I would like to make about Table 2, with respect to the figures in the

column headed "State": THe HR 11 Study Committee survey asked the public institutions to "force" a certain percentage of their general institutional appropriations into the financial aid category, according to a given formula. So to some extent, the figures in that column are artificial.

MR. HUGHES: To what extent can you build your state student aid on the BEOG awards and relate total aid to costs in either the public or the private sector?

MR. PETERSON: Our information on the overlap between BEOG and the state program is not very good. Because of the more stringent need analysis for BEOGs, institutions rarely report overaward situations based simply on BEOGs. In any event, state aid is limited by law to direct educational costs. I would guess that from 30 to 35 percent of the students who hold state awards also have a Basic Grant.

MR. MILLARD: Going back to the figures in Table 2 which show the proportional contribution of each source to total student aid funds in Michigan: Does the 37.6 percent for the institutional share include the federally funded campus-based programs?

MR. PETERSON: No. The figure represents only direct institutional funds. Only the institutional matching share amounts required in the federal programs would be included there.

MS. SMITH: These figures are for 1974-75. Do you think that the proportion of federal aid has gone up since then, as a result of the increase in BEOG funds? Say from the 28.5 percent cited in the table to at least 30 percent?

MR. PETERSON: Probably, though I can't give exact figures. The BEOG program has indeed had a big impact. Other federal aid programs have remained relatively constant in terms of dollars.

Another point to keep in mind is that we know very little about what is going on in the proprietary and vocational schools in Michigan, even though they have been receiving federal monies since 1972. The

HR 11 survey was sent to some vocational schools, but the return rate was so low that these data were not included in the study.

MR. MILLARD: In Table 3, the estimates for applicants and for eligible applicants show sizable increases in both between 1975-76 and 1976-77. Why, then, are the estimates of BEOG dollars expended in the different sectors lower for 1976-77 than for 1975-76?

MR. VOIGHT: I think I can answer that question, if I may. It is simply a matter of the funding mechanism that BEOG uses. The initial allocation goes out to institutions in July, before the academic year begins, and is designed to cover roughly half of the academic year. Then, in October, institutions request additional monies as they need them and as they have students. The dollar figures in the tables may not reflect all the October report at this point; a second report comes out in March for additional funds, and in the past the curve has risen steadily.

MR. HUGHES: To conclude the morning session, I would like to ask Peter Voight, Director of OE's Basic Grants Division, to report on funding expectations for BEOG during the current fiscal year and to make any comments on the processing schedule that might be instructive.

Funding Expectations for BEOG

MR. VOIGHT: I would be happy to do so. With respect to funding for the 1976-77 academic year, about $1.3 billion was initially appropriated for the BEOG program, and on the basis of that total, we incurred a full funding payment schedule. Then in December, when we found that something like $1.5 billion would probably be needed, we went to Congress immediately and were given authorization to draw down any funds needed from the current continuing resolution. From the application flow and the institutional reports that are now coming in, our estimate would seem to be fairly accurate--to within 1 or 2 percent of what is actually needed. So fortunately, there is no funding crisis this year; we have enough money to cover the demand.

No appropriation for the BEOG program has been made so far in 1977. As I say, we have at the moment a continuing resolution, and will obviously need additional funds: first, to replace the money we drew down for 1976; and second, to meet an anticipated increase in demand. In addition to the $200 million draw-down authority, approximately $1.6 billion will be required. The appropriation hearing on the 1977 request is scheduled for February 16. Though we don't know how quickly it will move through Congress, we expect that the BEOG program will again be at the full funding level in 1977, with a grant ceiling of $1,400.

The 1978 budget is another matter entirely. It has been proposed that the ceiling be raised to $1,800, and that change will increase the pool of eligibles by roughly 500,000, bringing in students from families with incomes of up to $17,000. The pool will increase even if the appropriation is only enough to fund the program at the $1,400 ceiling, because the calculation would be $1,800 minus family contribution rather than $1,400 minus family contribution. If the program is funded at the full $1,800 ceiling, roughly $2.5 billion will be required. Even if it is funded at only the $1,400 ceiling, something in excess of $2 billion will be required, because of the expanded pool. Since 1978 will be a very tight year in terms of other demands on HEW-Labor appropriations, the budget pressures on the BEOG program will be great.

MR. HUGHES: We'll adjourn now for lunch and continue with the discussion later.

AFTERNOON SESSION

MR. HUGHES: As a lead-off this afternoon, I would like to ask Larry Gladieux, Director of the College Entrance Examination Board, to give us a brief report on some related projects that CEEB is doing.

CEEB Study of Student Aid

MR. GLADIEUX: On March 1 of this year, the Washington Office of the CEEB, with a grant from the Ford Foundation, launched a two-year study of the interaction of federal and state student aid programs.

The study will result in a series of profiles on about eight or ten states: needs, resources, and issues connected with student aid. In addition, discussion papers will focus on topics growing out of these profiles: for example, the impact of the BEOG program and the coordination of federal and state grant programs.

Let me introduce Arthur Hauptman, formerly of Brookings and HEW, who is now Director of the project. Art, have you anything to add to what I've said?

MR HAUPTMAN: First, I want to thank ACE for taking the initiative with this seminar. About the project: I've already met with several of the state people, and we have established some basis for our further investigations.

MR. HONEY: Have you identified some of the states that the project will be covering?

MR. HAUPTMAN: Through another commitment, we have become involved extensively in New York and have identified several issues there that seem interesting. California is another state we will probably investigate in depth. In addition, we have collected information from a number of states on selected topics: for example, the coordination of BEOG with state student aid programs; methods of need analysis; relative need versus absolute resource guarantees; before-the-fact versus retroactive processing; and estimation of BEOGs. We will try to put these data together in a package so that states can see how other states are doing things.

MR. HONEY: What is the timetable for completion?

MR. GLADIEUX: November 1978.

MR. HUGHES: Now I would like to introduce Ken Reeher, Executive Director of the Higher Education Assistance Agency, Commonwealth of Pennsylvania. Ken was responsible for drawing my attention to the way in which the BEOG funds were affecting the internal use of state funds.

Some of the reports coming out of Pennsylvania have been very helpful in keeping us abreast of the situation.

The Pennsylvania Scene

MR. REEHER: Thank you, Jack. Just before I left yesterday, I was given 32 pages of statistics that will be the basis of a report on our recent study of BEOG impact. That report should be completed in six weeks or so. I'd like to summarize some of its major points.

First, 95 percent of the applicants from the lower-income group (i.e., gross parental income under $12,000) qualified for a state award, 60 percent for a BEOG. Of the upper-income applicants (i.e., gross parental income above $18,000), 35 percent got state grants, and 7 percent got a BEOG. Pennsylvania processed 179,500 BEOG applicant records. The BEOG and the state program had 135,000 common applications, or 75 percent.

Second, 18 percent of the veterans who got a state grant also received a BEOG. I point out the few veterans qualifying for state aid and not BEOG to indicate that the federal BEOG and state grant programs have different policies as far as veterans' eligibility is concerned. About 94 percent of the BEOG money goes to nonveterans, compared with 87 percent of the state student aid funds.

Some Policy Problems

Having given these few statistics, I would like to consider some philosophical or policy problems that bother me as a state director. I am sure they bother all of us who are interested in doing research on policy, making policy, or trying to redirect policy.

One of the chief recommendations of the Keppel Task Force was that a common application be developed. As you may be aware, the Coalition for the Coordination of Student Financial Aid has proposed that calculations for awards be based on data from a single form, which would vary depending upon who was producing it: It would be a BEOG application if it were being distributed and administered by the BEOG processor, it

might be the form of one of the national services, or it might be a state form. Though this proposal represents a first step in moving toward the Keppel Task Force objective, I believe that it will be almost impossible to develop a single, common form. State needs simply cannot be met by the BEOG form or by the forms produced by the national processors such as the College Scholarship Service or the American College Testing Program. For instance, there arises the simple question of residency: CSS can handle that on a special form, but the BEOG program is not concerned with state of residency, and in fact the federal government has problems securing data not related to program eligibility. Another question that cannot be handled on a common form is whether a loan is in default.

So it looks as if states will have their choice either of using the BEOG form or the form of one of the national processors or of developing its own form. One thing is certain: State programs must expand their data retention and management capabilities; they will need BEOG data if they want to be the data-gathering agency for BEOG, and they will need state data to meet state needs. These data requirements will push up costs, as will the screening and editing procedures for BEOG.

Moreover, even if BEOG and state needs are taken care of, the needs of the institutions must still be considered; they will not be met by use of a common form and a uniform methodology. Therefore, any common form that is developed will have to be supplemented by special forms.

The second recommendation of the Keppel Task Force--that a common announcement be made--is closer to being actualized. By announcement, I mean not the state production of the official BEOG notice but rather the notification of BEOG eligibility at the same time that eligibility for the federal-state SSIG or for state grants is announced. The estimate of the BEOG award will probably be reliable enough to permit the student a choice of institutions and to allow for the long-range maintenance of state student aid funding.

As a footnote here, let me add that the states and the national pro-

cessors can do a great deal more toward cutting down on the paper flow through the campus financial aid office and can thus make the financial aid officer a counselor and financier rather than a clerk.

A third recommendation of the Keppel Task Force--supported by the Coalition for the Coordination of Student Financial Aid--was for a coordinated calendar, which calls for a Janaury distribution of application forms. This change would move a tremendous work load that the state agencies normally do in October, November, and December to the already-busy period of January, February, and March; it would also entail increased manpower and greater expense, particularly if the states are required to follow the edit-and-review techniques now carried out by ACT, which does extensive manual checks that automated states could not do. The danger here is that the state, confronted with these costly and time-consuming demands, will simply say, "To hell with it; we're going to go our own way." Such an attitude would be a serious deterrent to the development of one form, one method of need analysis, and coordinated announcements.

Unrecognized Impacts of BEOGs

Now I would like to touch on some of the unrecognized impacts of the program in three areas: communications, state program funding costs, and state law. First, the BEOG program imposes severe communications requirements. For instance, many needy families must have BEOGs carefully explained to them; otherwise, they regard these grants as demeaning. In addition, the state agency must undertake to communicate with financial aid officers, high school counselors, the national BEOG processor, and local legislators.

Let me give you a few examples of the difficulties. People from the state agencies must now participate in BEOG workshops (which didn't exist five years ago) to find out what is new and just how it's going to affect them: what kinds of adjustments they will have to make in their own programs and even perhaps in state legislation. Now that the BEOG program is up to $1.8 billion and is the base on which other student

aid programs must build, the state agencies must also incorporate BEOG training into their own workshops for financial aid officers and counselors. Indeed, I have daily communications problems with my own staff. Before I left the office, I finished a four-page memorandum to my staff about what I had learned in the past two weeks about BEOG, and it has been a lot.

Another major impact of BEOG on the state programs relates to the need for coordination to avoid overawards to students in the low-cost public institutions. You have to tell the student, "Johnny, you got this amount from the feds, so your state award will have to be reduced by this amount, and you will end up with this much net." If Johnny asks why, you have to write a letter explaining it to him.

A third communications-related impact has to do with required filing by people not eligible for BEOG. Last year, some 60,000 ineligibles--many of them veterans, many of them recent widows with a high home equity--had to file BEOG applications because the eligibility criteria were in Iowa City, Iowa, and the state grant funds were in Harrisburg, Pennsylvania. The individual could not get a state grant until he or she had been processed for a BEOG. In the Pennsylvania program, a widow gets a maximum award the first year following the death of a spouse; that is state policy. (We decided to take that shortcut when we found that, after elaborate and extensive need analysis, four in five of them qualified anyway.) But when a coordinated announcement is sent out saying that they are eligible for a state grant but not for a BEOG, these people are going to start asking questions--and that will impose an additional communication strain on the state agency.

The BEOG program defines <u>independent status</u> differently than does the state agency, and this difference may have an adverse impact. Parents no longer have any right to a child's academic or disciplinary records from high school after that child has reached the age of 18. Yet now we are asking the children to provide us with their parents' income data so that we can determine whether or not they are dependents. Sooner or later, this requirement will cause trouble.

Another problem arises with respect to tape exchange capability with the national BEOG processor. Because of faulty tapes and infrequent tape exchange, the state agency must leave many constituents' questions unanswered and often must delay announcing eligibility. This problem may not be critical, since the Coalition is working on the possibility of transmitting data by telephone so that the data will be current at all times.

A second large area of BEOG impact is on state program funding costs. In this area, I want to look at just three items, though there are many more. First, the BEOG impact on public tuition: The maximum BEOG grant has been $1,400 and is moving to $1,800. The half-cost provision still holds, but there is a lot of pressure to move from half cost to full need.

It costs the Pennsylvania grant program $800,000 for every $50 increase in tuition at the four state-related institutions--Pitt, Pennsylvania, Temple, and Lincoln--and $500,000 for every $50 tuition increase at the fourteen state-owned institutions. Thus, there is both a funding impact and a communication impact, insofar as the state agency must explain to students why it is that, when their tuition goes up $50 at the state institutions, they are not in the eligibility pool that would require the state grant program to cover those increased costs. If the state program funding requirements are not met, the pool of eligibles must be changed because the state money must be distributed in a different way. And all that must be explained to the applicants.

Second, BEOG impacts on state costs through student budgets. Whether the $1,500 BEOG commuter allowance is a realistic national scale can be debated, but let us assume that it is. Pennsylvania allowed $700 for commuter costs, not because we were trying to ration dollars but for a variety of good reasons: Kids room together fairly cheaply, they buy used books, they run car pools, and so forth. Anyway, the $700 commuter allowance seemed reasonable. When BEOG came in

with a $1,500 allowance, the state aid program moved to $900 in order to compensate both for the commuter allowance difference in the state and federal programs and for the loss of public college commuters from the state pool of eligible students. States that run a broad grant program simply can't allow "outsiders" like BEOG to come in and meet the full need of students in the public institutions; if the state agency turns these students down, then the public college president goes after direct subsidy, not student aid. So Pennsylvania is trying to close the gap and to keep the public college students in its eligibility pool. We can't drop fourteen state-owned colleges and fourteen community colleges from the state grant program and survive politically.

So we raised the commuter allowance from $700 to $900. Even after cutting the state award this year from full tuition coverage to 80 percent of tuition, financing the new commuter allowance cost us $1 million, and to raise the commuter allowance to the $1,500 BEOG level would cost the state program $9 million more. That's tough to sell when many people feel that these students are overawarded already.

The third funding impact I want to look at is on federal SSIG funding and on the growth of this state-federal program. It is my opinion that SSIG funding and the concurrent growth of state grant programs are being seriously retarded by annual BEOG supplemental funding requirements and projected BEOG program growth needs. Will federal dollars be used to further federal policy and legislative objectives in higher education or to encourage states to make matching appropriations so as to develop emerging state grant programs? Federal funding is needed to sustain troubled programs, such as the Pennsylvania program, which has not captured a new state dollar in the past four years. How will the new $1,800 BEOG maximum affect SSIG funding? At this point, federal initiatives are required to encourage state appropriations, and federal priorities must be realigned to capture state dollars through the SSIG as well as to implement federal policy through BEOG.

The final area of unrecognized BEOG impact that I want to mention has to do with possible conflicts with state law. Take the matter of

institutional eligibility. The Higher Education Amendments of 1976 contain a little clinker that says if a state wants to be a BEOG processor--the first step toward a common application form, a uniform need analysis, coordinated notification, and so forth--that state must allow state grant funds and SSIG matching funds to be portable to at least half the BEOG-eligible schools outside the state. To meet that standard, Pennsylvania--which now has one of the most portable aid programs in the country--would nave to add 800 more out-of-state schools to its list of eligible schools. Currently, Pennsylvania does not fund students to go to proprietary schools outside the state. Nor does it fund them to go to out-of-state community colleges, since Pennsylvania is currently trying to build up its own system of community colleges. I believe that, unless the Commissioner clearly separates the BEOG processing experiment from the broader issue of nationwide portability of grants, the portability requirement will stifle the development of a true federal-state-institutional partnership.

Another potential problem area is the SSIG requirement that state aid "cover all nonprofit postsecondary institutions to receive SSIG funding." What is at issue here is school eligibility. According to federal law, the SSIG program must cover all schools which enroll students beyond the compulsory school age, including nursing, trade, business, vocational, and technical schools, as well as both public and private collegiate institutions. This law makes no accommodation for state constitutional restrictions, state legislative requirements, and state policy restrictions.

A recent survey found that nine states have constitutional prohibitions, thirteen have state legislative prohibitions, five have court decision prohibitions, and nine have state policy prohibitions that prevent them from giving state funds to students attending certain types of institutions. In other words, the current posture of thirty-two states is such that to open up their eligibility to certain institutions, as federal law demands, would be to violate their own laws and policies. Just watch the court suits that will come out of that! When states are

forced to bring bible colleges, theology schools, seminaries, and so forth, into their student aid programs, the state programs will be taken through the state courts for a court test, and that is going to involve considerable time and expense.

I've had it with court tests, and we don't need federal requirements added to state programs to create more court cases. I have been to the federal courts because of a state requirement that schools enter into a contract to report dissident students. I have been to the courts because, in accordance with state law and policy, we turned down veterans on grounds of bad character because they had been found guilty of criminal infractions after they were discharged. All it's going to take is one more court test, and Pennsylvania will go back to direct subsidy of institutions and forget student aid.

Finally, let's look at those young people who get into student aid programs early: the early-admissions students. The Pennsylvania State Board regulations stipulate that the secondary school districts must identify such students as academically able, must grant them permission to leave high school, and must agree to award the high school diploma after completion of the freshman year of college. In addition, early-admissions students must attend state-approved institutions. But BEOG standards are much less stringent, requiring only that early-admissions students enroll in approved postsecondary institutions; they do not specify who may drop out of high school and who may enroll in a post-secondary institution and where and under what conditions. Thus, state standards will be impossible to maintain when BEOG standards become known to Pennsylvania residents.

It would be worthwhile for ACE and other associations and groups concerned with these matters to examine intensively such potential impacts, which often go unrecognized. Those of us who administer state and federal programs of student aid very seldom have the opportunity to look at the broad implications of what we are doing administratively and of what we are being asked to do legislatively.

I want to thank ACE for giving me the opportunity to make this presentation today.

MR. HUGHES: Thank you. Are there any questions?

Question-and-Answer

MR. HOLLANDER: From everything I've heard, I'm now convinced that the role of the state should be limited. The system for distributing federal and state money should be defined according to some objective criteria, and the packaging of aid should be left to the individual campus.

MR. REEHER: I don't differ with you. One more comment: Much of the solution lies in identifying the federal role. I believe that, through their management of the income tax, the federal government has latched onto the ideal revenue vehicle, preempting much of the capability of the states. The education community should be advocating that a portion of those tax revenues go for higher education, that a portion of the appropriations for higher education go for student aid, and that a true federal-state-institutional partnership be developed with respect to student aid expenditures. First, federal policy should be expressed only through the federal program, BEOG. Second, through the SSIG, federal dollars should be shared with the states for implementing state policy. The SSIG encourages the states to match federal funds and allow the federal dollars to express state objectives. Third, through the SEOG, a portion of federal funds should be spent to finance institutional policy.

In Pennsylvania, our institutions range from very stable-quality nursing schools and high-quality profit-making proprietary schools through state-owned and state-related institutions. The needs of these different types of institutions vary. For instance, inner-city Temple University doesn't have nearly the problem in trying to recruit black students that Bloomsburg or Kutztown has. Yet those two rural colleges are under a mandate from the U.S. Office of Education to desegregate. My point is that states and institutions have legitimate objectives distinct from those of the federal government, and I like to think that

some portion of federal dollars for student aid would go to helping them achieve those objectives.

MR. MILLARD: All I would add to that statement is that the process must allow for the kind of structural interplay which will keep these programs in proper relation to each other. That is part of what has been missing in the past.

SSIG Difficulties

MR. REEHER: I agree. The SSIG program is a good example of what is wrong. Just when the program is starting to work well, new legislative requirements have been added to it that will slow down state interest.

As to the mechanics of coordination, the Coalition, working with Peter Voight and his office, has moved to a point where there will be a free interchange of data between BEOG, the national processors, the state agencies, and the institutions. Much of the responsibility for the final package has been given to the institutions.

MR. MILLARD: I agree with you that recent modifications in the SSIG requirements are having a serious negative impact. The fault lies chiefly with the Congress. Their failure to define their intentions clearly is creating very grave problems in some states. Ohio, for example, which has always strongly supported the SSIG, is seriously thinking about getting out of the program because it cannot operate within the looseness of the definition of the term nonprofit.

MR. HONEY: Is anything being done about this?

MR. MCVITY: As Director of the State Student Incentive Grant program, let me say that our office is in the process of writing regulations that are as close to the wording of the legislative statute as possible; you can draw your own conclusions. We are not trying to produce any guidelines beyond what is already in the statute. We will add to the application form an assurance that, as of the academic year beginning after July 1, 1977, all nonprofit institutions in the state are eligible. That is about the best I can offer by way of guidance.

MR. SHOOK: If states are obviously not complying, what action will be taken?

MR. MCVITY: You mean, just when will the feds step in to look at a state's books? And what happens if they discover that a state is not complying? My office is really in the dark on that point. The two alternatives are either to continue funding, pending a show-cause hearing--which would put the burden on the federal government to decide whether an institution is eligible or not--or to terminate funding, pending a show-cause hearing. I strongly favor the former, since it would allow the flow of funds to continue until the government had proved that the state was out of compliance. We haven't had to confront these issues in any of our previous reviews, tough though some of them have been, because there was voluntary compliance at the outset. We have never had a case which called for a hearing. That is one possibility, but I hope we can avoid it.

MR. REEHER: Jack, I would like to suggest, from my own point of view as a state director, that any support we might get from disinterested parties such as ACE or ECS might be very helpful in bringing about a change in the new legislation, perhaps in the form of a technical amendment.

Changes in Pennsylvania Enrollment Patterns

MR. HUGHES: I want to go back to your presentation, Ken, to find out more about the interaction of state programs with BEOG. I infer from what you said earlier that the distribution of state funds has shifted considerably, with less money going to the community colleges and more going to the private sector. Could you comment on that and on any impact that the shift may have had on enrollment patterns?

MR. REEHER: In 1972-73 (which is prior to BEOG), the first-time freshman enrollment was 39,666 in Pennsylvania's public institutions; in 1975-76, it was 54,544. That represents a 38 percent increase, most of it probably attributable to the growth of the community colleges, which are new in Pennsylvania and where the costs are relatively low.

Moreover, substantial amounts of BEOG dollars go to both full-time and part-time students in the community colleges. The number of adult women returning to college, especially on a part-time basis, has increased considerably.

The number of first-time freshmen enrolling in private two-year and four-year colleges dropped from 37,252 in 1972-73 to 34,604 in 1975-76, a decline in absolute numbers of 7.6 percent.

The distribution of state grants remained about the same: 31 percent went to students in private institutions; 50 percent to students in public institutions; 8 percent to students in business, trade, and nursing schools; and 11 percent to students attending out-of-state institutions. The reasons that the distribution has remained constant are, first, that Pennsylvania's state grants do not cover part-time students or students enrolled in programs of less than two years' duration; and, second, that the ceiling for adjusted family income was raised from $15,000 to $18,000; this change allowed the private sector to hold its own, even though its enrollment dropped.

MR. HOLLANDER: So you increased access to the total system without increasing enrollment to the public sector.

MR. REEHER: Yes. Looking back, I would say that this is attributable to two factors; first, the BEOG, with its liberal awards to students in the public sector and its coverage of part-time students; second, the leveling of tuition charges through direct subsidy of the public institutions by the Pennsylvania General Assembly.

Portability and Migration

MR. FRANCIS: I'd like to introduce a new thought here: If the Basic Grant is tied too closely in the student's mind with the state grant, and if the state grant is nonportable, is there not some danger that the student will regard the BEOG as nonportable as well? I am not talking now about the actual facts, but about students' perceptions. If they are told, "Half of that money--or at least the state share of

that money--cannot be taken out of the state," might this not lead them to think, "I really can't afford to go out of state because then I would lose this state money." Thus, the Basic Grant becomes unimportant to them, and they may become less inclined to enroll in private institutions (which tend to be concentrated in a few states rather than distributed evenly throughout the country).

MR. REEHER: I believe very strongly that the BEOG grant and the state grant should be kept clearly separated. It is imperative that students be aware from the outset that the BEOG grant is federal and not the responsibility of the state. As the situation stands now, the student is allowed to designate two institutions on the BEOG application. Let us assume that one is in state and the other out of state; both institutions would be notified of the student's eligibility. The estimated amount may vary in state and out of state, depending on relative costs. In Pennsylvania, the student might be eligible for a $1,200 state grant at an in-state institution and a $600 state grant if he or she attends an out-of-state institution; so from the outset a clear distinction is made.

MR. VOIGHT: I would add that the application forms themselves make it clear to the person filling them out that different programs are involved.

MR. FRANCIS: But won't students still hesitate to enroll in private institutions that happen to be located out of state if they realize that, by doing so, they will lose their state grant?

MR. VOIGHT: You've made a good point. That would certainly seem to be the case now.

MR. SAUNDERS: The more closely federal programs are coordinated with state programs--the overwhelming majority of which do not allow portability--the more students will be locked in to enrolling only at institutions within their state. From a national perspective, that is intolerable.

MR. HAUPTMAN: But the situation would be the same if the programs were not coordinated; the state student aid money would still not be portable.

MR. REEHER: There is another side to the coin. Prior to the BEOG program, a student enrolling out of state might get $600 in state aid; now, the student can take a $1,400 BEOG grant out of state. In short, under BEOG, the student gets more to go out of state to school than the state can give him to stay in state.

MR. HOLLANDER: I question the assumption here that low-income students, who receive large BEOG grants, migrate to other states; my guess is that they tend to enroll at in-state public colleges; it is the middle-income students who are mobile, and they are not getting many grants, either federal or state. I also question the assumption that cost differences among institutions influence choice to the great extent we assume that they do. A recent New York study indicates that, given the relative costs of public and private institutions, the choice of an institution is independent of its cost within a difference of about $1,000. Finally, the New York experience indicates that many of those who go out of state to college enroll in public institutions, not necessarily in private institutions.

MR. FRANCIS: But private institutions tend to be concentrated in about half a dozen states. Obviously, many of these institutions have large out-of-state enrollments, in some cases as high as 50-60 percent.

MR. HOLLANDER: I would speculate that these students can afford to go anywhere, and do.

MR. FRANCIS: Not necessarily.

MS. SMITH: In support of the BEOG program, Bowen's recent report attributes the increasing tendency of students to stay in state--the growing parochialism, if you will, of the student bodies of private institutions--not so much to the BEOG plus the state grant but simply to the growth of state student aid programs per se.

MR. MILLARD: Yet the data from Pennsylvania, Illinois, and New York suggest that frequently the state contribution makes the difference between a young person's continuing on to postsecondary education and dropping out altogether. It's time that the federal government--particularly Congress--recognized one political reality: The concept of portability will not at this point be accepted by most states, and to keep pushing for portability is self-defeating. Perhaps some day, if state income increases considerably and if postsecondary education is given higher priority in relation to other state concerns, the situation may be different. But I know it will be a long cold day before Michigan suddenly decides to make all its grants portable. Moreover, Pennsylvania is going to cut back on making its aid portable to contiguous states unless some reciprocity takes place.

MR. VOIGHT: Another point to be made in this discussion is that if coordination improves, improvement will take place at the institutional, as well as the federal and state, level. As a result, students will be better informed as to what their options are, whether they apply to a private institution outside of the state or to an in-state program. The institution itself may be able to provide a package that will make up whatever the student loses in state aid by going out of state to college. So I don't believe that the effect that Mr. Francis fears will indeed occur.

MR. FRANCIS: I don't know whether it will or not. But regardless of what is said about costs having no impact on choices at the margin, I think as dollars get tighter, people will start looking harder at the costs of education, and then $300 or $400 may make the difference.

MR. VOIGHT: That would be true if the institution said, "We are not able to meet your need"; but that doesn't happen very frequently.

MR. HUGHES: Doesn't that suggest the institution is the only one that can really package?

MR. REEHER: Clearly. I would like to make two additional points. First, I have been working with the College Scholarship Service and the

College Board on a project to test various techniques for notifying high school students and their parents early about the potentials for financing college. As early as the junior year in high school, before they are due to apply for BEOGs, they should be made more aware of the funding possibilities.

Second, on the question of portability: If students receive a notice telling them that they may transport their federal aid money out of state, but not their state aid money, the taxpayers will in the long run exercise pressure to make the state aid program portable.

BEOG-State Aid Balance

MR. STAMPEN: I wonder if there has ever been a case where the federal money that flows through the BEOG has displaced state money? About a year ago, several events occurred in Pennsylvania: Tuition was raised about 10 percent, state student aid money was cut back, and the amount of federal money flowing through BEOG increased. Another question that occurs to me: To what extent does a big BEOG program influence the states to introduce tuition equalization programs, thus using state funds to balance access to public and to private institutions. Would you comment on these possible impacts?

MR. REEHER: First, Pennsylvania's state grant program has never been cut back. It grew from about $4 million in 1966 to $68.4 million three years ago, and then leveled off, but it has not been cut back. As far as offsetting BEOG is concerned, we have done so in the Pennsylvania program, but we have never saved state dollars. The money that was offset in one area or at one income level was spent in another. To give you an example: If tuition alone were $2,600, a student with a $1,400 BEOG and a $1,200 Pennsylvania grant would have only enough in federal and state funds to cover tuition and would still have to pay for fees, books, room and board, and so forth, from other sources such as loans or parental aid. So a student subject to tuition costs of $2,600 or more could, under our BEOG-offset program, have a maximum grant from both sources, and there would still be no overaward involved.

In Pennsylvania, we now take total college costs minus parental contribution to arrive at a student's gross need. From this calculated gross need, we subtract the Basic Grant to determine adjusted need, and then one-third of this is the student's eligibility for a state grant. Basically, the thrust is to reduce the state grant eligibility of students in the public sector, where costs are low and BEOG eligibility is high.

We have been concerned about what will happen if the BEOG program moves to full cost. To take an example: a Pennsylvania community college student pays $500 tuition and has a $1,500 commuter allowance, for total college costs of $2,000. Under half-cost, the maximum BEOG to this student is $1,000. But if the half-cost provision is removed, the maximum BEOG will go up to $1,400 and under the 1978-79 BEOG maximum, $1,800. Thus, the community college student would no longer need a state grant, and that would be the first step toward making Pennsylvania's program a tuition equalization program such as New York has as part of its total program. Maintaining the Pennsylvania grant program at its current $68 million level would be very difficult in such circumstances.

MR. HUGHES: All the presentations suggest that the states are finding ways to make their student aid program complement the BEOG. The question that arises is: Should the federal effort be directed even more toward making the two types of programs--federal and state--complementary? And if so, what is the appropriate vehicle for carrying out this effort? Should BEOG be made more attractive by increasing the award, or should provisions be added to the SSIG program which would in some way condition how state funds are used?

MR. REEHER: As was pointed out earlier, the BEOG award often makes students ineligible for a state award, especially if they are enrolled in low-cost public institutions. That hurts the state program. Moreover, if the thrust of BEOG is to meet the entire need of low-income students--and I think the thrust has been very much in that direction--then the state program has to move to the middle-income

and upper-middle-income families, and that is difficult to justify to the State General Assembly.

I was glad to hear Mr. Voight say that BEOG would move to cover young people from families with incomes of up to $17,000, but that barely begins to include the truly middle-income or upper-middle-income family, who tend to have very high costs because their children generally enroll in private institutions.

In the Pennsylvania program, a family income of $18,000 is the cut-off point, though in cases where the family has three or more children enrolled in private colleges, it moves up to around $22,000. About seventy families whose children were found to be eligible for state grants had incomes of over $25,000; looking at them, we discover that these were cases where there were eight, nine, or ten kids in the family, five of them in college, all in private institutions.

The danger is that the BEOG program will take over the golden boys--the low-income students whom it is really nice to cover--forcing the state programs to cover students from higher-income families. If this happens, it will be difficult for the state programs to secure adequate funding.

Our BEOG impact study a year ago suggested that BEOG ought to be redirected somewhat so that it provides access to the private as well as the public institutions for a larger portion of the potential clients.

MR. MCVITY: In the same vein, the SSIG figures for the second year are just starting to come in: 29 percent of the grants went to students with family incomes of from $12,000 to $20,000 and over, compared with 21 percent the first year. So a decided skewing is taking place in that program too.

MS. SMITH: I can certainly see the political problem that Mr. Reeher faces in his state, but I would like to hear some reaction from other people. To some of us here in Washington, Pennsylvania's experience seems to represent an ideal, with the federal government taking care of

the poor kids and the states helping the middle-income group. But is that politically feasible as a state role? It seems to be working in some states: The New York State program reaches students from families of up to $26,000 gross income, and California's program reaches up to $30,000 family income and is trying to push to $33,000. Evidently, some states can sustain this arrangement politically more easily than others can.

MR. HOLLANDER: New York is sustaining it politically by making it possible for independent institutions to shift unfunded student aid to middle-income families. The TAP award is granted in addition to the BEOG award. We say to the student, "If this is your family's net taxable income, this is your TAP award." If the student also receives a BEOG, then the institutions may redistribute unfunded state aid away from low-income students with substantial aid up to the middle-income student. So the state agency never has to say to the legislature, "As income level rises, the TAP award increases to make up for the cut-off of BEOG." In effect, what happens is that the institution's unfunded student aid is redirected to the middle-income student. The decision is left up to the institutions.

The Student's Perspective

MS. HOLMSTROM: Most of this discussion has taken the point of view of the states; let's go back to the student's perspective. I'd like to summarize some 1975 student data that I've recently been working with and get your reactions.

First, the choice issue is still very much alive. Four in five of the students from families with incomes under $10,000 attend public institutions; three in five attend two-year colleges. The implication is that student aid, whether from federal or state sources, is not enabling these students to enroll in the higher-cost institutions. About half the students in the lowest income group (under $6,000) enroll in community colleges, compared with about one in five of those from affluent backgrounds (parental income above $30,000).

For the relatively few lowest-income students who enroll in high-cost institutions, state scholarships seem to make a big difference: 17 percent of these students, but only 5 percent of their counterparts in low-cost institutions, get support from state scholarships. For middle-income students (parental incomes of $15,000-$20,000), institutional grants make the difference between attendance at a low-cost and at a high-cost institution. Loans are also an important source of support for both low- and middle-income students enrolled in high-cost institutions.

As for students from upper-income families, they pay through the nose to attend high-cost institutions: Their chief sources of support are parental aid and, to a much more limited extent, self-help; very few get any kind of scholarship or grant. So to some degree, state and institutional aid are having an impact on the institutional choices of low- and middle-income students, though we must keep in mind that relatively few low-income students enroll in high-cost institutions.

MR. REEHER: I think if students were more aware of the various opportunities for financing a college education, they might very well make different choices, and fewer of the low-income students would end up in public two-year colleges; instead, they would choose programs more directly geared to their needs and capabilities.

MS. HOLMSTROM: New York is a good example of that.

MR. HOLLANDER: Yes, but let me point out that the independent urban institutions in New York were major resources to the poor even prior to open admissions and subsequent to TAP. In New York City, for example, St. Francis, Long Island University, Brooklyn, and Pace University are all institutions with very high proportions of low-income students, many of whom do not receive both BEOGs and very high TAP awards. These institutions have relatively low tuitions, are available to commuter students, and run classes from 8:00 in the morning until 10:00 at night.

Even the elite upstate institutions have reasonably large proportions--about 22 percent--of low-income students. The TAP awards plus

BEOGs plus institutional grants have given low-income students access to both the independent institutions and the residential public universities. In fact, very low-income students may find it increasingly difficult to attend the nonresidential two-year colleges, which are often located in rural areas where transportation is not available.

In the last two years, as the BEOG and State opportunity programs have met the needs of low-income students, the independent institutions have been able to offer more financial aid to middle-income students. So in New York, it is not true that independent institutions are not serving low-income students; they are serving students at all income levels.

MR. MILLARD: It varies from state to state, depending in part on the state funds available. Every state that is represented at this seminar today has a relatively large state scholarship program. I guess that all but about three or four states have programs of some kind.

MR. MCVITY: I would say all but one or two at this point.

MR. MILLARD: But some of the state programs are still very small and have not had much impact.

MR. HAUPTMAN: If four in five low-income students enroll in public institutions, what is the proportion for middle-income students?

MS. HOLMSTROM: The proportion going to public institutions remains fairly stable up to about the $30,000 income level, then drops somewhat. About three in five of those from families with incomes above $30,000 enroll in public institutions.

MR. HAUPTMAN: Apparently a larger proportion of institutional funds are being shifted to middle-income students and to students choosing independent colleges; these groups were not getting much aid previously.

This discussion seems to me to demonstrate the difficulty of viewing either the distribution of federal funds or the distribution of state funds in isolation from one another. There is no particular reason why the distribution of BEOGs and of state funds should be identical or even

similar. It depends on what the state proposes to do with its program. Some states want to meet some part of the remaining need of all students and therefore have a grant program that is oriented toward the private sector; other states want to make sure that their residents have minimum sources guaranteed to them for higher education with the lowest student charges and therefore have a somewhat more public-oriented program that fills up to a level as opposed to filling up on a slope.

It is not enough to ask, What impact does BEOG have on the student's choice of a public or a private institution? It is more relevant to compare net price in the public and in the private sectors, with net price taking into account the amount of both federal student aid and state student aid.

I think many people would disagree with the premise that Basic Grants are intended to fill the total need of low-income students; they would say that Basic Grants are supposed to fill only part of that need.

A larger share of BEOG money happens to go to low-income students, but $1,400 or even $1,800 is not enough to meet all the need of even those students at relatively low-cost four-year residential public institutions. The aims of these student aid programs are not so clear as to justify having the same distribution throughout.

MR. HUGHES: But a strong case could be made that the federal and state formulas, particularly to assess need, should be compatible to the extent that the student is able to put the two types of aid together to know just what he or she is eligible to receive from federal, state, and institutional sources. As the situation stands now, there seems to be a missing link. The student may know what amount to expect from the federal government or from state sources; but apparently in many cases, he/she doesn't know both.

MR. MILLARD: I agree that the students need to know how much federal and state aid to expect, but I would hate to see us move to the point where the state operated on a formula directly related to or dependent upon the BEOG program as such.

MR. HAUPTMAN: Most states do take BEOG grants into account when making their own awards.

MR. MILLARD: Yes, but there is a difference between "taking into account" and linking by formula in such a way that the state grant becomes automatic. It is the difference between the federal government's determining the structure and purpose of the state grant and the state's retaining control in these matters. It comes back to what Ken Reeher was talking about earlier: the recognition that federal purposes should be accomplished through federal grants, state purposes through state grants, and institutional purposes through institutional grants. The programs--and their purposes--should be complementary.

MR. HUGHES: Still, needy students must know what they can count on from the various sources.

MR. VOIGHT: Having coordinated awards doesn't imply using the same formula for all awards.

Federal Funds and Tuition Pricing

MS. VAN ALSTYNE: My question has two parts. First, to what extent does the pricing of tuition at public institutions affect the allocation of federal resources to the state? Can the states, through their setting of tuition at public institutions--or can the private institutions within a state, through their own setting of tuition--to any degree determine the flow of federal funds. Has anyone looked at this from a national prospective?

Second, what are the opinions of the various state representatives here today about the extent to which explicit federal-state action programs and flows of funds affect tuition-pricing decisions at public higher education institutions within particular states?

MR. HOLLANDER: Decisions are made much more subtly than we commonly suppose. I would guess, however, that in New York, the Tuition Assistance Program, coupled with the BEOG half-cost provision, was a major factor in the decision to charge tuition at CUNY. Other-

wise, that move would not have been politically feasible.

The argument can clearly be made--and I made it--that tuition at CUNY increased significantly the inflow of federal dollars--and in significant amounts--through the BEOG program. Moreover, New York's TAP is so structured that if the public institutions raise their tuition, a high proportion of the increased tuition would be covered by the TAP award--as much as 75 percent at CUNY and perhaps 40 or 50 percent at the State University. The TAP awards automatically go up as tuition increases, because the limitation is the maximum tuition charged by the institution up to $1,500, and tuitions at the public institutions are below that figure. Such considerations are probably even more of a driving force at the community colleges, where the decision is made at the county level.

Let me speculate about another factor: To the extent that independent institutions can raise tuition to a level high enough to increase significantly the amount of unfunded student aid, making their programs complementary to federal and state aid programs, they are able to enhance their position to "charge according to ability to pay" and achieve flexibility in student aid. I don't know if they are wise enough at all institutions to see these possibilities, however.

MR. WAGNER: Maybe it's ironic, but at least insofar as BEOG is concerned, tuition price setting is beneficial only to institutions whose costs are affected by the half-cost provision. High-cost institutions, where the size of the grant is unaffected by changes in tuition, would have no incentive to raise their tuitions.

MR. HOLLANDER: In New York, that would be true for the BEOG program but not for the Tuition Assistance Program.

MR. REEHER: I have some figures here for Pennsylvania that might throw some light on this discussion. There are 25,000 BEOG recipients in our state-owned colleges, where costs are less than $2,800. So we have room to raise tuition and thus to capture more BEOG dollars. For every $100 that we raise tuition, Pennsylvania would capture an addi-

tional $1.25 million in BEOG. Currently, costs at the state-owned institutions are about $2,200; with the BEOG half-cost provision at $1,400, we could raise tuition by $600, going up to $2,800. So Pennsylvania has the potential of capturing $7.5 million more in BEOG funds.

At the state-related institutions, however--Pitt, Penn State, Temple, and Lincoln--costs are now $3,100, so there would be no gain in increasing tuition. But if BEOG moved to an $1,800 maximum, costs could then go to $3,600 (or an additional $500), and for every $100, we would capture roughly $1.5 million more in BEOG funds.

MR. MILLARD: I think you're basing your remarks on an erroneous assumption: These possibilities exist, to be sure, but I don't believe that this is how tuition policy is made. Tuition is an independent variable.

MR. VOIGHT: Another problem arises: At the moment, BEOG covers no more than 20 percent of all students in postsecondary education. With an $1,800 ceiling, that may change to 25 percent. But any substantial tuition increases that affects 100 percent of the population is going to generate even heavier pressure from those families that are not being aided, middle-income and upper-income families who are already upset because their children are not getting financial assistance.

MR. MILLARD: Nonetheless, I know of no state where capturing federal dollars has been used as a specific argument for raising tuition.

MR. MANDRYK: We tried it in Rhode Island.

MR. HOLLANDER: If I could just correct the record: In New York, that wasn't the reason that determined the decision to raise or impose tuition, but it was certainly a persuasive argument that influenced the decision.

MR. MANDRYK: Theoretically, it is possible to develop a financing structure that maximizes BEOG funds, as well as SEOG, NDSL, and CWS funds, and that minimizes or actually reduces direct state subsidies to institutions. An elaborate system could be devised whereby public tuitions were

increased without having a negative impact on state objectives. In fact, however, we don't have enough hard information to develop such financing structures or to make such decisions.

MR. PETERSON: I agree that when only about 40 percent of the college students in a state are eligible for some form of financial aid, the unnecessary raising of tuition will incur the wrath of the other 60 percent; so politically this kind of move would be very unsound.

Positive Effects of BEOG

MS. SMITH: It seems to me that what we are saying is that some states may be raising tuitions but that BEOG is not the principal driving force behind that move, though it may give a nice extra push. But with respect to providing more access and encouraging states to provide more access and choice, BEOG seems to be having some positive effects. The mammoth amount of BEOG money flowing into the states has left them somewhat more free to use their own funds to take care of a broader income spectrum of students and to cover more students in the private sector. But nobody would dare argue openly for those effects. Or is it politically feasible for the states to take the position that, since the federal government meets perhaps 80 percent of the need of low-income students in low-cost institutions, they are free to move in another direction?

MR. MANDRYK: It is absolutly feasible and desirable from Rhode Island's perspective. What I attempted to show today was a model of how it all fits together. We found that the state agency was not taking into consideration the size of the Basic Grant and was therefore giving dollars to students in the lowest income categories and in some cases duplicating awards. What we are attempting to do now is to coordinate student aid programs by targeting state funds more to students in the $9,000-$11,000 category, after taking into consideration federal student financial assistance. In Rhode Island, that is the politically desirable thing to do.

MR. PETERSON: To get back to the original point; I think as they stand right now, Michigan's programs are well designed to complement BEOG in several different ways. First, we are using the common methodology for need analysis, which tends to be more liberal than the method used in BEOG. We have found this highly successful in Michigan. Last year, for example, over 20 percent of our state-grant-recipients came from families with incomes of over $20,000, but these were families where more than one child was in college, where they were going to high-cost schools, and so forth. By using the common methodology, we are in a position to take into consideration all kinds of variables. We can be more flexible than BEOG, and I think it is appropriate for a state to have more flexibility and latitude than a uniform national program, which must treat all students across the nation on an equal basis.

Second, Michigan's scholarship programs are based on ACT test scores. Since performance on standardized tests is closely correlated with socio-economic status, we are to some extent excluding some very needy students who do not qualify academically and who tend to go to the lower-cost public institutions.

Finally, our tuition grant program is limited by law to students going to private institutions, and low-income students are not as likely to attend these higher-priced colleges. Essentially, then, Michigan's program dovetails well with BEOG. Moreover, the institutions have ultimate flexibility in packaging. If they identify problems--e.g., overawards to some students--they can notify us, and we will adjust.

Informing Young People

MR. SHOOK: I would like to back up a bit to some issues that were raised earlier. The first is our effectiveness in communicating to young people the options available to them for financing a college education. We've said it is essential to motivate them to at least consider various alternatives. I think we are not succeeding there at all. When students get the eligibility index from BEOG, they usually don't know what it means. So they go to the financial aid officer at an institution

who says, "Yes, come here, and it will be worth such-and-such an amount of money." Frequently, that's the end of it. The student does no more shopping around.

Perhaps the notification of eligibility could include some examples: "If you go to an institution in this cost range, the grant is worth approximately this much; if you go to one in this range, it is worth this much." That might motivate students to shop around a bit. I try to drive the point home when I speak to groups. I emphasize that a Basic Grant has different values at different institutions, that it may be worth more money at Institution A than at Institution B.

Turning to the state awards: We are guilty of the same thing. We ask students to indicate where they are going to college something like six months before they actually go, when they probably haven't even made up their minds. The chances are that if they are limited to naming one institution, they won't list the most expensive. They will list the one around the corner, where they are fairly sure they can get in. That's likely to be a community college. Then I evaluate their need and on that basis I give them a small award. So they end up at the community college. It might be better if they were asked to list three schools. Then, when I make the award, I could say, "If you go to Institution A, I will give you this much; if you go to Institution B., this much; and at Institution C, this much. Now tell me which you want to attend." It's not done that way, but perhaps that is the direction we should take if we really want to give them flexibility and motivate them to think about choice.

Now to the second issue: If BEOG continues to meet more and more of the need, the packaging concept will be destroyed. My first reaction to that prospect is horror. The beautiful packaging concept: BEOG provides the base, the state builds on it, and the institution builds on that. I am still dedicated to that concept. But let's consider another approach.

Suppose BEOG meets the total need of one group. Then the state picks

up its own group and meets its total need. Whatever group is left over, the institutions pick up. There are arguments for that approach. For one thing, a kid would have to apply to only one place. If he got a BEOG, he wouldn't have to go anywhere else. If the state didn't offer him any aid, it wouldn't make any difference. Such a system simplifies things considerably; there is no longer any need for elaborate coordination. What sometimes happens now with the packaging approach is that the BEOG gives a grant and the state gives a grant, but the institution won't touch the case. The student is left dangling; he's got enticing grants from two sources, but not the third.

Can you imagine the reduction in paperwork that would result from this approach? You wouldn't have to track thousands and thousands of applicants through four years; you would only have your smaller group that you were helping totally. I'm not endorsing the idea. I'm just saying it's interesting to speculate what would happen if each of the various sources took total responsibility for a separate group of young people.

MR. HUGHES: It would take a pretty smart computer to sort them out, though.

MR. REEHER: The student would have to apply to the right place.

MR. SHOOK: I still prefer the packaging concept myself.

MR. REEHER: Before I make a closing statement, I want to go on record that, in citing figures about the potential of tuition increases for capturing BEOG dollars, I was responding to a question. That wasn't an expression of my philosophy. I do think it's important, though, for the states to realize that the BEOG program has given them some prerogatives. We are doing things in Pennsylvania that we could not do if we didn't have $60 million worth of BEOG funds coming in to our students.

MR. HUGHES: We'll consider your presentation formally closed. I want to leave Jack Honey enough time to sum up what we have been saying

and to give us the wisdom we need to go from this meeting with a sense of mission.

Summation

MR. HONEY: Thanks a lot, Jack. I hope all of you can put yourself in my shoes. You all know much more about this subject than I do. I've been taking notes frantically since arriving at this meeting an hour late and I haven't had time to go back and assimilate the content of the notes and to sort out what is important and what isn't. So what would you do in my position? Being an academic, I'm something of an old hand at coping with going into a class unprepared: The thing you do is to throw it back to the students.

I'm going to ask Ted Hollander first, and then each of the other people who made presentations to think about the one or two points you would especially like to underscore.

MR. HOLLANDER: I guess if I really boil down all I said this morning, it comes to this: The primary objective of student aid is to maximize access to the postsecondary education system. That means not only providing resources to students according to their need but also being assured that institutional capability is appropriately distributed through the state to serve a variety of student needs. That is, we must provide students with the funds to go to college, and we must also maintain the basic viability of the system. I guess I am now more than ever persuaded that, to achieve these objectives, we ought to rely as heavily as possible upon institutions to make the choices; we should not attempt to overly manage the student aid system.

I'm also persuaded that the best way to make maximum dollars available for student aid and to assure that those dollars go to the right places and the right students is for the state to focus on a program which defines the resources that are available to the students rather than to try to package for each individual student in terms of some hypothetical need or cost system. The system that is currently operating makes more sense to me now.

MR. GLADIEUX: May I make a request to the panelists: Looking ahead to the next federal legislative round, can you suggest what directions you think Congress should take in restructuring the program? In the last legislative round, there was a lot of talk about clarifying the purposes of the programs and making BEOG more of an access program, perhaps relating it to nontuition costs so that the states could fill in and do more on the tuition side of things. Everybody backed off from that.

I gather from today's discussion that the federal objectives are rather murkey and that state objectives vary considerable from state to state. Perhaps everyone is satisfied with that. I know Charles Saunders and others on the Washington scene are looking ahead to the next legislative round and to various possibilities for rationalizing and clarifying the purposes of these programs.

Do we or do we not need sharper conceptual clarification and a more logical meshing of the state and federal programs?

MR. HONEY: That sounds like the subject for another conference. But maybe somewhere along the way those questions can be answered.

MR. HOLLANDER: BEOG is now defined in terms of one-half of college costs, and New York has a Tuition Assistance Plan which attempts to cover tuition. We regard BEOG as covering other college-going costs. That leaves the institutions to complement one or the other, as the needs of the individual student may dictate.

For purposes of simplifying the application process and providing better information to students, the federal government should consider a system which would permit the states to receive a single application form and to then generate information needed by institutions and the federal government for determining eligibility for aid.

MR. MANDRYK: In my presentation, I first listed Rhode Island's financing objectives and then asked whether or not we could determine the impact of any program in terms of those objectives. My conclusion

was that, to make such an assessment, answers to the following questions are required: How many young people, because of student aid, decide to go to college who otherwise would not have gone? How many decide to attend a high-priced institution who otherwise would not have? How many decide to stay in the postsecondary system who otherwise might have dropped out? Are the institutions in better financial shape because of our programs? Are they able to offer a more competitive price in the marketplace because of our programs?

Generally, we have concluded that we can identify whether program delivery is structured in such a way as to have an impact on student objectives. For instance, we found that only 26 percent of the students in Rhode Island really had information about their eligibility for a Basic Grant early enough to influence their access, choice, or retention decisions; many students know nothing about the state programs early enough to influence their decisions.

One thing we do know is that the BEOG program is having a strong impact on the distribution of state funds. Essentially, because of BEOG, state dollars are flowing away from the lower-income students and toward the middle-income students.

As for the future, I would like to be assured that we will know from one year to the next what the role of the federal programs is to be; only with that information will we be able to modify our own program objectives as necessary. Moreover, the institutions need to be informed about the objectives of the federal programs. Yet at the same time I understand that the federal programs must be changed and modified in accordance with social changes. Indeed, flexibility to accommodate to changing social conditions is essential at all levels--federal, state, and institutional. It is a never-ending cycle.

MR. HUGHES: Sheldon, will you take your turn?

MR. KNORR: It seems to me that, given the economic crunch, Maryland will have to increase tuition if it is to continue to operate its post-secondary educational programs at the current level. The availability

of student aid money will influence how much the postsecondary education system can do and still assure access. But it is the feeling of the Maryland state legislature and of the people in the state that one can't depend much on a federal program; the one certainty is that the program will change. If some degree of stability could be achieved, we could live with any number of federal programs. We need to know what we can count on from year to year by way of federal programs and policies if we are to develop a sensible state policy on top of them. The policy has to vary from state to state. We might not want the same policy in Maryland that Michigan or Rhode Island or New York wants. That is my concluding statement.

MR. SHOOK: I would add three points. First, and all-important is that all these programs must work together. It is an effort not of just one program but of about three.

Second, I would like to see the SSIG program (which is now very small) expand so it can do its reasonable share. New York, Pennsylvania, Maryland, and some others have relatively stable state aid programs and are ready to assume more responsibility. But that is not true of about three-fourth of the states in this country. So more should be done with the SSIG to encourage state matching funds and to build up state programs so that they can assume a reasonable share of the responsibility.

Third, there is a need to convince federal legislators that they must allow lead time for those who have to administer the law. We have the same difficulty with our state legislators. They pass a law in the spring that goes into effect in the fall, and they often do not give the state agency enough lead time for smooth implementation.

MR. PETERSON: Let me just reiterate a few of my main points. I think Michigan would agree with the premise that each member of the student aid partnership--the federal government, the states, and the institutions--should do what it can do best. Of course, that premise immediately becomes controversial, because who is to define exactly what each partner does best? From the Michigan perspective, we would

totally agree with the fundamental concept of the BEOG program: that the Basic Grant should meet a portion of the need, opening the door that allows other aid programs to come in and supplement on a more individualized basis as the need arises.

At the state level, the priorities for student financial aid in Michigan are pretty well set under a general need umbrella, using the uniform methodology. The goals toward which our funds are being targeted--to aid the exceptionally able through a competitive scholarship program and to promote institutional choice through a grant program--are fairly well defined. They were established at the initiation of these state programs and will probably continue as major goals into the foreseeable future.

In addition, the individual states should be allowed the flexibility to pursue whatever goals they believe are important. The integrity of the state program should not be violated by federal mandate and federal control. The ultimate flexibility should be granted to the institution, which must pick up the students--and there are many--who fall between the federal and the state cracks. Nothing should be done to jeopardize the institution's packaging role or its ability to respond quickly to unique circumstances and problems which a state program, because of its size, or a uniform national program at the federal level simply can't handle.

Finally, coordination should be strengthened wherever possible. The number of forms that applicants have to file should be kept to a minimum, and the timetable for notifying applicants of their eligibility should be improved.

These are all worthy goals. They need to be supported by confirming the validity of the information that applicants are filing. Whatever can be done at the various levels to assure the integrity of the student aid system will be to our advantage in the long run.

I want to throw out one more caution. We have talked a lot today

about people's making educational decisions based on economic realities as they perceive them: the amount of student aid that might be available to them, and so forth. I think it is important, however, to remember that not everything can be interpreted in economic terms. Decisions are made for many other reasons. We must bear that in mind as we do our research and draw our conclusions.

MR. HUGHES: Very good. Thanks, Ken.

MR. REEHER: My first point is that BEOG is a grown-up boy now. It's big and it's murky and it's having an impact on state programs and policies, on college-based programs, even on unfunded institutional aid. I think we need to look closely at the federal-state-institutional partnership and identify clearly the role of each in assuring that student aid is achieving its intended purpose: to promote access to the post-secondary educational system.

My second point is the need for better communication. We need to inform the potential clients about the availability of various programs, about the way they operate, and about the options they offer.

Finally, I would echo Ken's plea that Congress allow the state agencies more lead time to implement new legislation.

MR. HUGHES: Thank you. Now a final word from Mr. Honey.

MR. HONEY: The only comment I would add is that from my perspective (and I should point out that over the last two or three years I have been working at a rather broad general level rather than looking in depth at the BEOG program and its impact on the states), a very large part of the difficulty arises from the newness of the whole enterprise. For the first time, federal people are working closely with state people, with the institutions, with students; states are working with the federal government and with institutions. All these working arrangements are new and different, so it is understandable that some difficulties crop up.

In addition to having learned a great deal myself in the course of this seminar, I am impressed with how much we need to continue this

kind of communication, this very informal exploration back and forth. I hope that ACE and other organizations concerned with these issues will continue to bring together people with different responsibilities and different perspectives. That strikes me as an eminently useful effort.

MR. HUGHES: Fine. We do plan to hold other meetings on related subjects, and we will be communicating with you all about these. I accept Jack's suggestion that we need to keep moving and to push forward. I hope that we can continue to cooperate in this way.